



**SOUTH TEXAS
COLLEGE**

SOUTH TEXAS COLLEGE DISTRICT

Comprehensive Annual Financial Report

Fiscal Years Ended August 31, 2019 and 2018
Serving Hidalgo and Starr County, Texas



SOUTH TEXAS COLLEGE DISTRICT

Comprehensive Annual Financial Report

Fiscal Years Ended August 31, 2019 and 2018

Prepared by the Business Office
Serving Hidalgo and Starr County, Texas

3201 W. Pecan Blvd., McAllen, TX 78501 • 956-872-8311 • SouthTexasCollege.edu



INTRODUCTORY SECTION



**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2019 and 2018**

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SOUTH TEXAS COLLEGE

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South Texas College District

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P.O. Box 9701
McAllen, Texas 78502
(956) 872-4646

December 10, 2019

To: President Shirley A. Reed, MBA, Ed. D.
Members of the Board of Trustees and
Citizens of the South Texas College District:

The Comprehensive Annual Financial Report (CAFR) of South Texas College District (“the District”), for the fiscal years ended August 31, 2019 and 2018, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the District.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that impartially presents the financial position and results of operations of the District. All disclosures necessary to help the reader gain an understanding of the District’s financial activities, in relation to its mission, have been included.

The District’s management is responsible for establishing and maintaining an internal control structure designed to protect the District’s assets, prevent loss from theft or misuse, and provide adequate accounting data to allow for the preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP). This structure additionally provides reasonable assurance that these objectives are met.

The concept of reasonable assurance recognizes: (1) the cost of internal control should not exceed the benefits presumed to be derived, and (2) the benefits include decreasing the risk associated with failing to accomplish the District’s objectives.

This letter of transmittal complements and should be read in conjunction with Management’s Discussion and Analysis which immediately follows the independent auditors’ report and which provides a narrative introduction, overview, and analysis of the basic financial statements. The Notes to the Financial Statements, included in the financial section, are considered integral to the basic financial statements and should be read in conjunction with them.

Comprehensive Annual Financial Report

The South Texas College District Comprehensive Annual Financial Report for the fiscal years ended August 31, 2019 and 2018, was prepared by the Business Office. The financial statements are prepared in accordance with GAAP as established by the Governmental Accounting Standards Boards (GASB), and comply with the Annual Financial Reporting Requirements for Texas Public Community Colleges as set forth by the Texas Higher Education Coordinating Board (THECB). The financial records of the

District are maintained on the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when incurred.

State statute requires an annual audit by independent certified public accountants. The purpose of an independent audit is to provide reasonable assurance, based on an independent review and testing, that the basic financial statements and accompanying notes are fairly stated in all material respects.

The District's Board of Trustees selected the accounting firm of Carr, Riggs & Ingram, LLP. In addition to meeting the requirements set forth in State statutes, their audit also was designed to meet the requirements of the Federal Single Audit Act, Title 2 U.S. Code of Federal Regulations Part 200, Uniform and Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards, and the State of Texas Single Audit Circular. The Independent Auditors Report includes an unmodified opinion on the District's financial statements for the years ended August 31, 2019 and 2018. The independent auditors' report is included in the financial section of this report on page 17.

The District is a special purpose government engaged solely in business type activity (BTA). Adhering to GASB Statements 34 and 35, this presentation of financial reporting combines all fund groups into a single column and resembles the format of corporate financial statements. It also serves to make the financial statements more comparable across organizations.

Profile of the District

In 1993, Texas Senate Bill 251 created South Texas College to serve the people of Hidalgo and Starr Counties. The District is governed by a seven-member Board of Trustees, who are elected locally to six-year staggered terms by Hidalgo and Starr County voters. The Board is responsible for policy making functions and delegates administrative responsibilities to the President, who serves as the Chief Executive Officer of the District.

The District is a political subdivision of the State of Texas located in Hidalgo and Starr Counties. It offers academic, general occupational, developmental, and continuing adult education programs through a network of locations in Hidalgo and Starr Counties. These locations include:

- Pecan Campus
- Technology Campus
- Dr. Ramiro R. Casso Nursing and Allied Health Campus
- Starr County Campus
- Mid Valley Campus
- Regional Center for Public Safety Excellence

In addition, the District has an online virtual campus and Continuing Education Workforce Training Centers at the Pecan Plaza, Technology Campus, Mid-Valley Campus, and Starr County Campus as well as Higher Education Centers in La Joya and Pharr. The District is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award baccalaureate and associate degrees. The District offers certificates and institutional awards, and is also approved for veteran's educational training in Certificate and Associate of Applied Science degree programs by the Texas Education Agency.

The District offers 121 degree and certificate options. The District also offers bachelor, associates and certificate programs completely online. South Texas College is one of the community colleges in Texas that has authorization to offer bachelor degrees. These degrees are:

- Bachelor of Applied Technology (BAT) degree in Technology Management
- BAT degree in Computer & Information Technologies
- BAT degree in Medical & Health Services Management
- Bachelor of Applied Science in Organizational Leadership (BAS-OL)

The District has experienced growth since its inception in the Fall of 1993. The following tables illustrate the District’s enrollment data over the last five fiscal years.

Annual Enrollment – Academic and Vocational					
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Total credit hours	617,703	641,823	637,181	642,651	593,199
Total contact hours	12,364,880	12,966,960	12,907,280	13,137,424	12,118,584
Unduplicated full-time student equivalent	20,590	21,394	21,239	21,422	19,773
Unduplicated headcount	42,590	43,251	44,768	45,665	42,079

Annual Enrollment – Continuing Education					
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Total contact hours	223,642	204,448	211,493	583,149	733,868
Unduplicated full-time student equivalent	1,864	1,704	1,762	4,860	6,115
Unduplicated headcount	4,388	3,681	3,310	8,673	10,200

The District has over 150 articulation agreements, including:

- 2+2 articulation agreements
- Memorandums of understanding
- Collaborative agreements with state, national universities and institutions

Currently, agreements are active with over 30 institutions to benefit students from the District as they transfer and continue to pursue their educational goals.

The District has one of the largest dual credit programs in the State of Texas, serving Hidalgo and Starr counties, which includes 24 school districts at over 70 high school sites. The District has developed intensive academic programs for high school students interested in pursuing degrees in the medical, engineering, computer, business, or criminal justice science fields. These dual enrollment programs are:

- Medical Science Academy
- Engineering Academy
- Computer Science Academy
- Business Administration Academy
- Criminal Justice Academy
- School to Career Academy

Approximately 15,500 students were enrolled in dual credit college-level courses during the 2019 spring semester.

The District's Continuing, Professional and Workforce Education (CPWE) program provides opportunities for lifelong learners to upgrade their skills, change careers, or seek personal enrichment through education on various topics.

Economic Condition and Outlook

Nestled in the Rio Grande Valley, near the Texas-Mexico border, the District serves Hidalgo and Starr Counties. Hidalgo County, of which McAllen is its largest city, was founded in 1852 and named for Don Miguel Hidalgo y Costilla. As of 2019, its population is 980,522 with 90% of it being Hispanic. Starr County was founded in 1848 and named after James Harper Starr. It has a population of 70,105 as of 2019 and its largest city is Rio Grande City.

Unemployment rates and per capita income for Hidalgo and Starr Counties are as follows:

- The unemployment rate for Hidalgo County decreased from 6.6% in 2018 to 6.4% in 2019.
- The unemployment rate for Starr County increased from 9.1% in 2018 to 10.0% in 2019.
- Per capita income in Hidalgo County increased from \$24,805 in 2018 to \$25,617 in 2019.
- Per capita income in Starr County increased from \$24,140 in 2018 to \$24,981 in 2019.

McAllen's unemployment rate as of August 2019 is the lowest of any city in the Rio Grande Valley. The Rio Grande Valley continues to grow and create jobs (source: McAllen Chamber of Commerce, www.mcallen.org/Business-Community/Economic-Pulse).

Additional data related to some of the major cities in the District and surrounding communities include the following:

- The McAllen housing indicators continued to improve through 2019. Dollar Volume of Home Sales for August 2019 were \$383,717,820 compared to August 2018 sales of \$333,301,492. Home sales and prices remain at record levels through August, with sales up by nearly 10% for the month

and nearly 14% for the year (source: McAllen Chamber of Commerce, [www. mcallen.org/ Business-Community/Economic-Pulse](http://www.mcallen.org/Business-Community/Economic-Pulse)).

- The City of Edinburg is home to United Soccer League's professional team, the Rio Grande Valley Toros and the NBA G League's Rio Grande Valley Vipers.
- The Santa Ana National Wildlife Refuge in Alamo is one of the top destinations for nature lovers and birding enthusiasts worldwide.
- South Padre Island, in neighboring Cameron county, is host to several renowned fishing tournaments and a popular vacation destination through Spring Break and the summer months.
- According to CBS News, Harlingen and McAllen rank amongst the top 10 most affordable places to live in the nation.

The McAllen Metropolitan Statistical Area is outpacing the rest of the nation in population and job growth due to the young and trainable labor force and the abundance of extraordinary business opportunities created by the city's growth. The area is enriched by the contributions of many cultures and the impact of its many artistic and recreational attractions (source: McAllen Economic Development Corporation).

Today the Rio Grande Valley is a major international trade area shaped by first-rate commercial, retail, office, industrial, medical, retirement, and educational facilities. The promotion of international and retail trade, tourism, and manufacturing are among the most successful along the U.S.-Mexico border (source: McAllen Chamber of Commerce).

Reynosa, Tamaulipas, Mexico, McAllen's twin city and a principal city along the U.S.-Mexico border, is home to 649,800 inhabitants and known as a dynamic and business-oriented city. These two interdependent communities are linked by three international bridges that allow daily economic and cultural exchanges. Reynosa has a diverse economic base, which includes:

- Oil and natural gas resources
- Livestock
- Agriculture
- Tourist trade
- Industry

(Source: population.city/mexico/reynosa).

For more than 40 years, retirees from the north of the United States and Canada have traveled to the Rio Grande Valley to spend their winters in the area's temperate climate. These visitors are attracted by, and take advantage of, incentives such as:

- Warm winter weather
- Numerous outdoor activities
- Numerous RV and mobile home parks
- Friendly people
- Low cost-of-living

Studies indicate these visitors, dubbed "Winter Texans," typically stay anywhere from 3 weeks to 6 months and have had a direct impact on the regional economy (source: University of Texas Rio Grande Valley).

The District plays a vital role in providing educational opportunities for its citizens and preparing a strong workforce in the region. Enthusiastic support of the area's private, business, corporate, and industrial communities has earned The District a popular reputation. Due to the rapid expansion of its technical/vocational and academic programs, and its strong commitment to meeting the need for a trained and skilled workforce, The District's students are graduating in record numbers, transferring to four-year colleges and universities, or finding employment.

The District's financial outlook for the future continues to be positive. In 25 years, South Texas College District has grown from a student headcount of over 1,000 in Fall 1993 to over 32,000 in Spring 2019. The District's unrestricted fund budget increased from \$2,325,212 in 1993 to \$186,811,500 in 2019.

Long-Term Financial Planning

The District has a five-year Comprehensive Plan which identifies major initiatives to be undertaken. The objectives and initiatives identified in the Comprehensive Plan form the basis for budget allocations.

Other than federal grants used for scholarships, the District's three main sources of revenue:

- Net Tuition and Fees – increased by \$931,141 due to an increase in gross tuition and fees.
- State Appropriations – increased by \$1,667,625 mainly due to an increase in state benefit funding.
- Ad Valorem Taxes – the Taxable Assessed Value increased by \$1,785,685,028 or 4.87% from \$36,596,147,819 for Levy 2017 to \$38,381,832,847 for Levy 2018.

The District has levied taxes since fiscal year 1997. The following table illustrates the District’s property tax levy rates and tax collections over the last ten years.

Tax Levy Rates				
(Per \$100 of assessed valuation)				
Fiscal Year	Current Operations	Debt Service	Taxable Assessed Value (TAV)	Total Tax Collections
2010	\$ 0.11000	\$ 0.03910	\$ 30,304,183,226	\$ 44,615,970
2011	0.11000	0.03970	30,089,658,977	44,329,200
2012	0.11000	0.04070	29,518,175,339	44,157,110
2013	0.11000	0.04070	29,645,534,071	44,193,705
2014	0.11000	0.04000	30,246,199,691	45,108,905
2015	0.14000	0.04500	30,965,159,425	56,344,301
2016	0.14000	0.04500	33,304,492,691	59,726,169
2017	0.14000	0.04500	34,902,217,340	62,418,265
2018	0.14000	0.04500	36,596,147,819	66,710,260
2019	0.14000	0.03800	38,381,832,847	66,934,297

The Texas Higher Education Coordinating Board (THECB) gathers financial documents for Texas Public Institutions of Higher Education, including community colleges. The THECB’s annual report on the financial condition of the state’s community colleges is required as referenced in the General Appropriations Act, Senate Bill 1 (S.B. 1), 83rd Texas Legislature, Section 13 (page 111-198). The report provides an assessment of the overall financial health of public community colleges and identifies institutions with the potential for financial stress.

Each community/junior college in Texas must file a copy of an annual operating budget which includes departmental operating budgets by function, and subsequent amendments thereto, approved by the community/junior college governing board. It must be filed by December 1 of each fiscal year directly with the Governor, Legislative Budget Board, the Legislative Reference Library, and the THECB.

The budget is developed in collaboration with personnel from all divisions of the District. Available resources are allocated based on division’s requirements and as approved by the Board of Trustees. The budget process ensures that demands are integrated with the District’s mission statement. Monthly budget reports reflecting budgeted and actual revenue and expenses are prepared and provided to management and the Board of Trustees to assist in decision-making and to monitor compliance and performance.

The District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District’s Board of Trustees.

Relevant Financial Policies

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act amendments of 1996 and related Uniform Guidance, U.S. Office of Management and

Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular.

Board Policy 5350, Unrestricted Fund Balance requires the District to maintain an unrestricted fund balance sufficient to cover no less than four months of budgeted expenditures, unless the Board of Trustees approves the use, transfer, or designation of fund balance, and a plan to restore the fund balance to the minimum amount.

The District has complied with Board Policy 5350 as follows:

Unrestricted Fund Balance Reserve			
	August 31, 2019	August 31, 2018	August 31, 2017
Current Undesignated Unrestricted Fund Balance	\$60,708,372	\$75,850,909	\$91,120,844
Next Fiscal Year Budgeted Unrestricted Fund Expenses (including transfers and contingencies)	181,730,329	183,811,500	188,083,617
Fund Balance as a % of Total Expenses	33.4%	41.3%	48.5%
Number of Months Expenses in Reserve	4.0 months	5.0 months	5.8 months

During the fiscal year, the District may designate a portion of the unrestricted fund balance. The unrestricted fund balance designation represents the District’s intended use of available resources for specific initiatives.

As of August 31, 2019, the District’s Board of Trustees has designated a total of \$34,500,000 of the unrestricted net position for the purpose of supplementing:

- Future employee health insurance costs as of August 31, 2019 - \$7,500,000
- Infrastructure maintenance and renewal of the District’s Enterprise Resource Planning system as of August 31, 2019 - \$15,000,000
- Deferred maintenance of facilities as of August 31, 2019 - \$4,000,000
- Reserve for the District’s business continuity and disaster plan as of August 31, 2019 - \$6,000,000
- Furniture Replacement as of August 31, 2019 - \$2,000,000

Awards and Acknowledgments

The District's innovative endeavors and dedication to excellence have paved the way to praise and acclaim. The District has received numerous awards from national, state and local bodies that recognize its leadership among the community colleges in the State of Texas and the nation. Some of the accomplishments and initiatives include:

- The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended August 31, 2018. This is the sixteenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of only one year. The District's current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for another certificate.
- In May 2018, the Government Treasurers' Organization of Texas presented the Certificate of Distinction to the District for its Investment Policy for the sixth straight time. The Certificate was issued for the District's success in developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing established by the Government Treasurers' Organization of Texas. The Certificate of Distinction is effective for a two-year period ending August 31, 2020.
- The College has earned the three Texas Comptroller of Public Accounts' Transparency Stars Program Awards. These awards recognize local governments that have achieved excellence in transparency for different areas. They include:
 - Traditional Finance Transparency Star
 - Economic Development Transparency Star
 - Debt Obligation Transparency Star
- Diverse Education 2018 listing ranks the District as number one in the country in awarding Associate Degrees in the majors of Education, Engineering, Public Administration, Social Service, Homeland Security, Law Enforcement, and Firefighting. The District ranked number two in All Disciplines Combined, Biological and Biomedical Sciences, Foreign Languages, Literature and Linguistics, Mathematics and Statistics, Business, Homeland Security, Law Enforcement, Firefighting and Related Protective Services degrees (source: [diverseeducation.com/top 100 Associates degree producers](http://diverseeducation.com/top-100-Associates-degree-producers)).
- On June 20, 2019 the District received the inaugural "Seal of Excelencia" by Washington D.C.-based Excelencia in Education, affirming more than 25 years of creating a college-going culture for Hispanic students of the Rio Grande Valley. Excelencia created the seal of approval last year to challenge colleges to increase Latino enrollment and improve student retention rates and faculty representation on their campuses. The Seal confirms South Texas College has demonstrated outstanding success in helping Latino students attend college and graduate.

- In 2019, the District received the Pioneer Award from the Community College Baccalaureate Association in recognition of progress toward making baccalaureates accessible to all.
- The District was awarded the 2018 Association of Community College Trustees (ACCT) Western Regional Chief Executive Officer Award for exemplary leadership and significant contributions to the region.
- In 2016 the District received the Commendation from Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) for its Dual Credit program's commitment to achieving the promise of creating a college-going culture for the lives of students and future generations of students in the South Texas Region through its extensive network of off-campus sites.

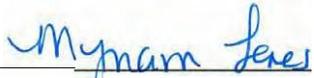
Acknowledgments

The dedicated and effective staff of the District's Business Office is what made the timely preparation of the Comprehensive Annual Financial Report possible. Each member is invaluable and wholly appreciated for their contributions to this report. Gratitude is unequivocally given to the District's Board of Trustees and President for their continued support for maintaining ethical and professional standards of professionalism in the management of the District's finances and operations.

Respectfully submitted,



Maria G. Elizondo, MB, CFE, CGMA, CPA
Vice President for Finance and Administrative Services



Myriam Lopez, MBA
Comptroller

**South Texas College
For the Fiscal Year Ending August 31, 2019**

Board of Trustees and President

**PAUL R. RODRIGUEZ
CHAIRMAN**



CEO of Valley Land Title Co.
District 3
Representing South McAllen, Southwest Pharr, Hidalgo, Sharyland, Southeast Mission, and Granjeno
First Term: August 2012 – May 2016
Second Term: May 2016 – May 2022
Serves as Chair of the Board, member of the Finance, Audit & Human Resources Committee and member of the Facilities Committee.
Formerly served as Secretary of the Board, Chair and member of the Finance, Audit & Human Resources Committee and member of the Facilities Committee.

**ROSEBENAVIDEZ
VICE CHAIR**



President of Starr County Industrial Foundation
District 1
Representing Starr County
First Term: Nov. 2009 – May 2012
Second Term: May 2012 – May 2018
Third Term: May 2018 – May 2024
Serves as Vice Chair of the Board, member of the Finance, Audit & Human Resources Committee and member of the Facilities Committee.
Formerly served as Chair and Vice Chair of the Board, member of the Facilities Committee, and member of the Finance, Audit & Human Resources Committee.

**ROY DE LEÓN
SECRETARY**



Branch Retail Executive of BBVA Compass Bank – Mercedes
District 7
Representing Northeast Hidalgo County, North Weslaco, Edcouch-Elsa, La Villa, North Mercedes, Northeast Alamo, Northeast Edinburg, and Hargill
(Appointed 1997 - 1998)
First Term: May 1998 – May 2002
Second Term: May 2002 – May 2008
Third Term: May 2008 – May 2014
Fourth Term: May 2014 – May 2020
Serves as Secretary of the Board and Chair of the Finance, Audit & Human Resources Committee.
Formerly served as Chair, Vice Chair, and Secretary of the Board, Chair and member of the Finance, Audit & Human Resources Committee, and member of the Facilities Committee.

**South Texas College
For the Fiscal Year Ending August 31, 2019**

Board of Trustees and President

**VICTORIA CANTÚ
ME MBE R**



CEO of Children’s Education Station, LLC
District 2
Representing La Joya, Western Mission, Palmview, Sullivan City, Penitas, and Western Alton
First Term: May 2018 – May 2024
Serves as member of the Education and Workforce Development Committee.

**GARY GURWITZ
ME MBE R**



Managing Partner, Atlas, Hall & Rodriguez, L.L.P., McAllen
District 4
Representing North McAllen, Northwest Pharr, Palmhurst, Northeast Mission, and Southwest Edinburg
(Appointed 1993 - 1998)
Second Term: May 1998 – May 2004
Third Term: May 2004 – May 2010
Fourth Term: May 2010 – May 2016
Fifth Term: May 2016 – May 2022
Serves as Chair of the Facilities Committee and member of the Education and Workforce Development Committee.
Formerly served as Chair, Vice Chair, and Secretary of the Board, Chair and member of the Facilities Committee, member of the Finance, Audit & Human Resources Committee, and member of the Education and Workforce Development Committee.

**DR. ALEJOSALINAS, JR. ME
MBE R**



Clinical Lecturer, University of Texas-Pan American
Retired Superintendent/Superintendent Emeritus, Hidalgo ISD
District 5
Representing Northwest Hidalgo County, Edinburg, North San Juan, and Northeast Pharr
First Term: May 1996 – May 2002
Second Term: May 2002 – May 2008
Third Term: May 2008 – May 2014
Fourth Term: May 2014 – May 2020
Serves as Chair of the Education and Workforce Development Committee and member of the Facilities Committee.
Formerly served as Vice Chair of the Board, Chair and member of the Facilities Committee, Chair and member of the Education and Workforce Development Committee, and member of the Finance, Audit & Human Resources Committee.

**South Texas College
For the Fiscal Year Ending August 31, 2019**

Board of Trustees and President

**R E N E G U A J A R D O
M E M B E R**



Human Resources Director, Mercedes ISD
District 6
Representing Donna, South Alamo, South San Juan, Southeast Pharr, South
Weslaco, and Progreso
First Term: May 2018 – May 2024
Serves as member of the Education and Workforce Development Committee
and member of the Finance, Audit & Human Resources Committee.

**D R . S H I R L E Y A . R E E D
P R E S I D E N T**



Founding College President: June 1994 - Present

South Texas College District
ADMINISTRATIVE OFFICIALS
For the Fiscal Year 2019

Name	Position
Shirley A. Reed, MBA, Ed. D.	President
Maria G. Elizondo, MBA, CFE, CGMA, CPA	Vice President for Finance and Administrative Services
Myriam Lopez, MBA	Comptroller



South Texas College 2018 - 2019

Administrative - Executive Organization Chart

College President
Dr. Shirley A. Reed

Executive Officer for External Relations
Wanda Garza

Director of Regional Center for Public Safety Excellence
700517 Vacant

Executive Vice President for Educational Programming and Student Achievement
Dr. David Plummer, Interim

Dean of Continuing Education, Workforce Training, and Economic Development
712690 Vacant

Executive Director for Resource Development, Management, and Compliance
Dr. Virginia Champion

Director of Public Relations and Marketing
Daniel Ramirez

Vice President for Institutional Advancement
700660 Vacant

Assistant to President for Continuing Education
Juan Carlos Aguirre

Associate Dean of Industry Training and Economic Development
Dr. Carlos Margo

Associate Director of Grant Management and Compliance
704420 Vacant

Assistant Director of Public Relations and Marketing
Raymond G Pedraza

Director of Fundraising and Foundation
702650 Vacant

Director of College and Career Preparation
701880 Vacant

Director of Professional and Workforce Education
Olivia De La Rosa

Vice President for Academic Affairs
Dr. Anahid Petrosian, Interim

Vice President for Student Affairs and Enrollment Management
Matthew Hebbard

Vice President for Finance and Administrative Services
Mary Elizondo

Vice President for Information Services, Planning, Performance and Strategic Initiatives
Dr. David Plummer

Assistant Vice President for Academic Advancement
Dr. Anahid Petrosian

Dean for Math, Science and Bachelor Programs
Dr. Ali Esmaili

Dean of Enrollment Services
Miguel Carranza, Interim

Dean for Student Affairs
Paul Hernandez

Director of Facilities Planning and Construction
Ricardo De La Garza

Comptroller
Myriam Lopez

Dean of Library and Learning Support Services
Dr. Jesús H. Campos

Assistant to the Vice President for Strategic Initiatives
702395 Vacant

Dean of Distance Learning
702279 Vacant

Assistant Dean
Department Chairs

Director of Student Records and Registrar
Cynthia A Blanco

Director of Comprehensive Advisement and Mentoring Services
Dr. Nancy Garcia

Assistant Director of Facilities Planning and Construction
Robert Cuellar

Associate Comptroller
Katarina Bugariu

Associate Dean of Library Services
Lisa Bea Walters

Chief Information Officer
Alicia Gomez

Director of Distance Learning
Ana Pena

Dean for Business, Public Safety, and Technology
Mario Reyna
Department Chairs

Director of College Connections and Admissions for Traditional Students
Dr. Larry Barroso

Director of Counseling
Santa Elisa Pena

Director of Facilities Operations and Maintenance
George McCaleb

Director of Student Accounts and Bursar
Norma Jimenez

Director of Educational Technologies
Dr. Maria L. Evans

Asst CIO for Information Technology Services
700396 Vacant

Dean for Dual Credit Programs and School District Partnerships
Dr. Margaretha Bischoff

Dean for Liberal Arts and Social Sciences
Dr. Margaretha Bischoff

Director of Enrollment Services for Dual Credit
Tony Matamoros

Director of Career and Employer Services
Celinda Palacios

Assistant Director of Facilities Maintenance Services
Luis De La Garza

Acting Chief of Police
Ruben Suarez, Interim

Director of Learning Commons and Open Labs
Dr. Lelia Salinas

Asst CIO for Infrastructure and Software Development
Lucio Gonzalez

Director of Dual Credit Pathways
Antonio De La Cruz III

Assistant Dean(s)
Department Chairs

Associate Dean of Student Financial Services, Testing and Veteran Affairs
Miguel Carranza

Director of Student Activities and Wellness
Eli Nguma

Assistant Director of Custodial Support Services
740499 Vacant

Director of Human Resources
Brenda Balderaz

Director of Centers for Learning Excellence
703591 Vacant

Chief Information Security Officer
Jose Luis Gonzalez

Director of Academies and High School Projects
Leonardo Castaneda

Dean for Nursing and Allied Health
Dr. Jayson Valerio
Department Chairs

Director of Testing Services
Adrian Lozano

Director of Student Rights and Responsibilities
Karey Barnes

Director of Purchasing
Rebecca Cavazos

Assistant Director of Human Resources
Laura Requena

Dean of Institutional Research, Effectiveness and Strategic Planning
Dr. Fernando Chapa

Director of Research and Analytical Services
Serkan Celtek

Associate Dean of Curriculum and Student Learning
Dr. Christopher Nelson

Director of University Relations, Transfer and Articulation Center
Dr. Kelli Anne Davis

Director of Student Financial Services
Juan Miguel Galvan

Associate Director of Purchasing
704580 Vacant

Employee Relations Officer
703240 Vacant

Director of Institutional Research, Effectiveness, Assessment and Accreditation
703625 Vacant

Director of Academic Assessment
Yolanda Jaramillo

Associate Dean of Professional and Organizational Development
Jessica Galloso

Campus Administrators
Mid Valley Campus: *Daniel Montez*
Technology Campus: *Mario Reyna*
Starr County Campus: *Dr. Arturo Mondel*
Dr. Ramiro R. Casso Nursing & Allied Health Campus: *Dr. Jayson Valerio*
South Texas College Higher Education Center - La Joya: *Dr. Rene Zuniga*
South Texas College Higher Education Center - Vacant

Director of Accountability, Risk, and Compliance
Frank Jason Gutierrez

Employee Relations Officer
Jaime Navarro

Director of Food Services
Luis R Guzman

Internal Auditor
Khalil Abdullah

Institutional Equity Officer
722360 Vacant



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Financial Report
for the Fiscal Year Ended

August 31, 2018

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees
South Texas College
McAllen, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of South Texas College (the College) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Texas College as of August 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District's Proportionate Share of Net OPEB Liability, Schedule of District's Contributions for Pensions, and Schedule of District's Contributions for OPEB as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Texas College's basic financial statements. The introductory section, supplementary schedules (schedules A-D), and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Texas Comptroller of Public Accounts, State of Texas Single Audit Circular, respectively, and are also not a required part of the basic financial statements.

The supplementary schedules (schedules A-D) and the schedules of expenditures of federal and state awards (schedules E-F) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules (schedules A-D) and schedules of expenditures of federal and

state awards (schedules E-F) are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

McAllen, Texas
December 10, 2019



SOUTH TEXAS COLLEGE

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**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

Introduction

Management's discussion and analysis (MD&A) of the District's financial statements is designed to help readers understand the conditions and events impacting the financial statements, furthermore pointing out trends and changes affecting our operations for the fiscal years ending August 31, 2019 and 2018. This discussion is prepared by management and should be read in conjunction with the transmittal letter, the District's basic financial statements and notes to the financial statements. Responsibility for the completeness and fairness of this information in this section rests with the District's management.

The financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and comply with the reporting requirements as set by the Texas Higher Education Coordinating Board (THECB).

In fiscal year 2018, the District implemented GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. These implementations affected various balances reported on the basic financial statements including non-current liabilities, deferred outflows and inflows of resources, net position, and OPEB expense, among others. As such, balances in the aforementioned categories may not be comparable between fiscal year 2017 and fiscal year 2018. In the following MD&A, management will refer to the implementation of GASB 75 when discussing balances rendered incomparable due to the implementation of GASB 75.

The District participates in a cost-sharing, multiple-employer, other post employment benefit (OPEB) plan with a special funding situation implemented in fiscal year 2018 as mentioned above. The Texas Employees Group Benefits Program (GBP) is administered by Employees Retirement System of Texas (ERS). In fiscal year 2019, ERS changed the allocation methodology on how the OPEB liability and related balances are allocated to each college. During implementation of GASB 75 in 2018, the ERS allocation methodology was based on employer contributions related to retirees. In fiscal year 2019, the allocation was based on employer contributions related to both active employees and retirees, which had a significant impact on the College's net OPEB liability balance and related entries, causing additional expenses to be recorded and negatively impact the fund balance.

As a result of the change in methodology, the District's OPEB liability increased by \$77.4 million to \$90.6 million, the Deferred outflows related to OPEB increased by \$91.1 million to \$91.5 million and the Deferred inflows related to OPEB increased by \$32.7 million to \$35.6 million. The total impact on the net position was a reduction of \$19.0 million.

The District also participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). During the District's fiscal year 2019, TRS changed their assumed rate of return from 8.0% to 7.3%, combined with the change in the single discount rate from 8.0% down to 6.9%.

**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

Assumptions, methods, and plan changes were also updated from FY 2018. The Net Pension Liability and deferred outflows increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability for TRS as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% at August 31, 2018 to 6.9% as of August 31, 2019.
- The long term assumed rate of return changed from 8.0% to 7.3%.

As a result of the change in methodology, the District's net pension liability increased by \$24.1 million to \$50.8 million, the Deferred outflows related to pensions increased by \$19.8 million to \$26.1 million and Deferred inflows related to pensions decreased by \$1.6 million to \$3.7 million. The total impact on the net position was a reduction of \$2.7 million.

The financial statements of this annual report consist of three parts: The Statements of Net Position provide a summary of assets, liabilities, and net position as of August 31, 2019; the Statements of Revenues, Expenses, and Changes in Net Position provide a summary of operations for the fiscal year; and the Statements of Cash Flows provide categorized information about cash inflows and outflows for the fiscal year.

These statements are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; and Statement No. 35 (GASB 35), *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

These three statements will assist the reader in determining whether the District, as a whole, is performing financially better this year as compared to last year. The financial statements are presented using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

This discussion and analysis of the District's financial statements provides an overview of its financial activities for the fiscal year. The 2019 financial focal points of the fiscal year are as follows:

- Capital assets, net of accumulated depreciation, at August 31, 2019, had a decrease of \$5.9 million from August 31, 2018.

**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

- During 2019, investments increased by \$50.0 million, and cash and cash equivalent decreased \$39.5 million.
- The bond rating for the District's general obligation bonds is AA by Standards & Poor's and Aa2 by Moody's Investors Service.
- Tuition and fees were discounted by \$78.2 million, \$76.0 million, and \$69.4 million in fiscal years 2019, 2018, and 2017, respectively, which consisted of federal, state, local and private grants that were provided as financial aid to students and other remissions and exemptions.
- The District's total combined net position was \$378.0 million at August 31, 2019, which reflects a decrease of \$8.4 million compared to \$386.4 million at August 31, 2018. The decrease of \$8.4 million is attributed to changes in allocation method by ERS which had a \$19.0 million negative impact, and TRS's assumption changes had a \$2.7 million negative impact on the unrestricted net position. Excluding the cumulative effect of ERS and TRS, the District's net position increased by \$13.3 million resulting from excess revenues over expenses. Of the \$13.3 million increase in net position, the unrestricted net position increased by \$10.8 million, net investment in capital assets increased by \$1.3 million and expendable net position increased by \$1.2 million.

Analysis of Overall Financial Position and Results of Operations and Condensed Financial Information

The Statements of Net Position

The Statements of Net Position is a 'point in time' financial statement and provides the reader with a snapshot of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the fiscal year. Net position is the difference between (a) assets and deferred outflows and (b) liabilities and deferred inflows and is divided into three major categories. Net investment in capital assets provides the District's equity in property, plant and equipment. Restricted Net Position are assets, which have external limitations in the way they may be used, and are not accessible for general use. Assets categorized as Unrestricted Net Positions are available to be used for any lawful purpose of the District at the direction of the District's management.

Changes in net position that occur over time can indicate the improvement or weakening of the District's financial condition when considered with non-financial facts, such as enrollment levels and the condition of the facilities. From the data presented, readers of the financial statements are able to determine the assets available to continue operations of the District, and the amount the District owes vendors, investors, and lending institutions. Current liabilities are generally liabilities, due within one year, and current assets are those assets, available in the short term,

**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

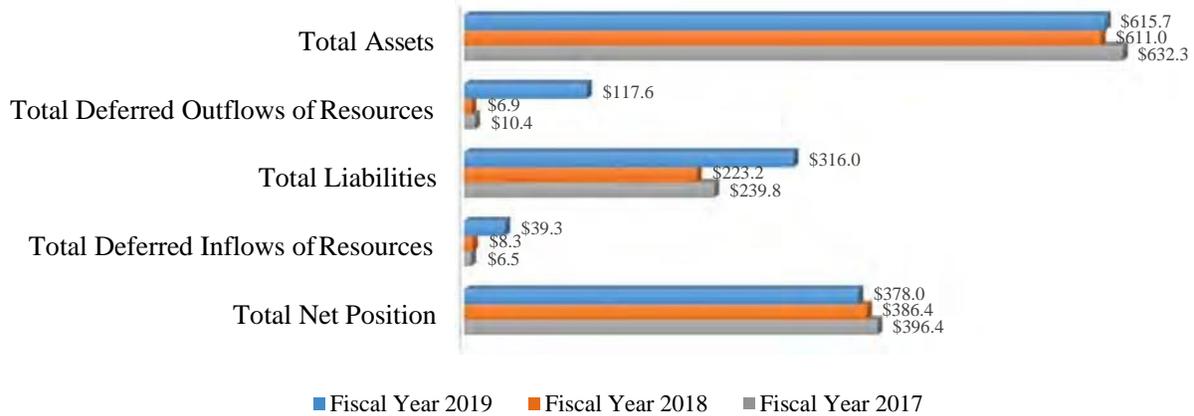
which is considered one year or less. Deferred inflows and outflows are transactions occurring in the current or prior periods although are related to future periods and are not assets or liabilities. The District's deferred outflows of resources include deferred charges on debt refunding and deferred outflows related to pensions and other post-employment benefits (OPEB). The District's deferred inflows of resources are related to pensions and OPEB. The focus is to report the total net resources available to finance future services. Assets and liabilities are presented in the order of liquidity.

The following is prepared from the District's Statements of Net Position and provides a summary of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the change in net position for the years ended August 31:

Condensed Statement of Net Position					
(in millions)					
	2019	2018	2017	2018-2019 Change	2017-2018 Change
Assets					
Current assets	\$ 135.4	\$ 158.7	\$ 153.0	\$ (23.3)	\$ 5.7
Capital assets, net	345.7	351.6	308.2	(5.9)	43.4
Noncurrent assets	134.6	100.7	171.1	33.9	(70.4)
Total Assets	615.7	611.0	632.3	4.7	(21.3)
Deferred Outflows of Resources					
Deferred outflows of resources	117.6	6.9	10.4	110.7	(3.5)
Total Deferred Outflows of Resources	117.6	6.9	10.4	110.7	(3.5)
Liabilities					
Current liabilities	33.9	33.1	53.2	0.8	(20.1)
Noncurrent liabilities	282.1	190.1	186.6	92.0	3.5
Total Liabilities	316.0	223.2	239.8	92.8	(16.6)
Deferred Inflows of Resources					
Deferred inflows related to pension & OPEB	39.3	8.3	6.5	31.0	1.8
Total Deferred Inflows of Resources	39.3	8.3	6.5	31.0	1.8
Net investment in capital assets	206.8	205.6	198.7	1.2	6.9
Restricted expendable	20.0	18.8	19.2	1.2	(0.4)
Restricted non-expendable	0.3	0.3	0.3	-	-
Unrestricted	150.9	161.7	178.2	(10.8)	(16.5)
Total Net Position	\$ 378.0	\$ 386.4	\$ 396.4	\$ (8.4)	\$ (10.0)

**South Texas College District
Management’s Discussion and Analysis
August 31, 2019 and 2018**

**Condensed Statement of Net Position
Comparison - August 31, 2019, 2018 and 2017
(in millions)**



In 2019, total assets increased by \$4.7 million or 0.8% from \$611.0 million at August 31, 2018 to \$615.7 million at August 31, 2019. In 2018, total assets decreased by \$21.3 million or 3.4% from \$632.3 million at August 31, 2017 to \$611.0 million at August 31, 2018.

The primary source of the increase in assets is an increase in investments of \$50.0 million which was offset by a decrease in cash and cash equivalents of \$39.5 million. In addition, the increase in investments was offset by a decrease in capital assets, net of accumulated depreciation, at August 31, 2019, of \$5.9 million from August 31, 2018. The net increase in investments is due to additional revenue funds from property taxes, net tuition and fees, investment income, and increased dual enrollment reimbursements from local independent high school districts, which were invested during fiscal 2019 compared to fiscal year 2018.

During 2018, the primary source of the decrease in assets is a decline in cash and cash equivalents of \$38.4 million and a reduction in investments of \$23.1 million. The decrease in cash was offset by an increase in capital assets, net of accumulated depreciation, at August 31, 2018, of \$43.4 million from August 31, 2017, primarily due to a \$111.4 million increase in buildings, and a \$12.8 million increase in land improvements, offset by a net decrease in construction in progress of \$85.8 million. The new facilities were funded by the District Limited Tax Bond Series 2014 and 2015. The decrease in cash, cash equivalents and investments are directly related to the increase in capital assets. In addition, net tax receivables decreased by \$3.8 million from \$10.4 million at August 31, 2017 to \$6.6 million at August 31, 2018. The decrease is due to a change in the methodology used for the calculation of property tax allowance.

There was a drastic increase in deferred outflow of resources of \$110.7 million from \$6.9 million at August 31, 2018 to \$117.6 million at August 31, 2019. As mentioned previously, ERS changed their allocation methodology on how the OPEB liability and related balances are allocated to each college in 2019. The new allocation method is based on employer contributions related to both

**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

active employees and retirees, which had an enormous impact on the College, as it is a relatively young institution and does not have many retirees. The new allocation caused the deferred outflows related to OPEB to increase by \$91.1 million from \$0.4 million at August 31, 2018 to \$91.5 million at August 31, 2019. In addition to the new allocation method by ERS, TRS changed their assumed rate of return from 8.0% to 7.3%, combined with the change in the single discount rate from 8.0% down to 6.9%. Assumptions, methods, and plan changes were also updated from fiscal year 2018, which led to a \$19.8 million increase in deferred outflows related to pensions from \$6.3 million at August 31, 2018 to \$26.1 million at August 31, 2019, with the primary increase due to changes in actuarial assumptions.

The deferred inflow of resources was also drastically impacted by the change in allocation method by ERS, discussed above. Deferred inflows related to OPEB increased by \$32.7 million from \$2.9 million at August 31, 2018 to \$35.6 million at August 31, 2019, primarily due to differences between employer's contributions and the proportionate share of contributions and changes in actuarial assumptions. Deferred inflow of resources related to pension decreased by \$1.6 million, largely due to differences between projected and actual investment earnings. Total deferred inflows increased \$31.2 million or 376.6 %.

In 2018, the deferred inflow section was directly impacted by the implementation of GASB 75 of \$2.9 million primarily due to changes in actuarial assumptions. Total deferred inflows increased by \$1.8 million or 27.4% from \$6.5 million at August 31, 2017 to \$8.3 million at August 31, 2018. In addition to the deferred inflows related to OPEB, the deferred inflows related to pensions also increased by \$2.9 million due the difference in expected and actual investment earnings and actuarial experience.

During fiscal year 2019, current liabilities remained stable with a slight increase of \$0.8 million or 2.4%. Unearned revenue increased by \$0.9 million from \$15.7 million at August 31, 2018 to \$16.6 million at August 31, 2019 compared accrued liabilities increased by \$0.4 million compared to fiscal year 2018, and the College reported a current portion of the Net OPEB liability of \$1.3 million for the first time in fiscal year 2019. These increases were offset by a decrease in accounts payable of \$2.1 million, primarily due to a decrease in vendor payable of \$1.9 million.

Noncurrent liabilities increased by \$92.0 million or 48.4%, primarily due to the change in allocation method by ERS and the change of assumption by TRS as discussed previously. The net OPEB liability increased \$76.0 million from \$13.2 million at August 31, 2018 to \$89.3 million at August 31, 2019 due to the change of the allocation method on employer contributions related to both active and retirees. At August 31, 2018 the net pension liability balance was \$26.6 million and it increased during fiscal 2019 by \$24.1 million to \$50.7 million at August 31, 2019, due to that TRS change to their assumed rate of return from 8.0% to 7.3%, combined with the change in the single discount rate from 8.0% down to 6.9%. These noncurrent liabilities increases were offset by a \$8.1 million decrease in bonds payable attributed to debt service payments.

During fiscal year 2018, the liability section of the District's Statements of Net Position was also impacted by the implementation of GASB 75. Total liability decreased \$16.6 million or 6.9% from

**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

\$239.8 million at August 31, 2017 to \$223.2 million as of August 31, 2018. Excluding the effect of implementing GASB 75, which required the recording of a \$13.2 million net OPEB liability in noncurrent liabilities, total liabilities decreased \$29.8 million or 12.0%. The primary reason for the overall decrease was a decrease in current liabilities of \$20.1 million with a \$16.7 million decrease in accounts payable. The accounts payable decrease is due to the timing of payment for fiscal year 2017 merchandise, materials, supplies and services pertaining to construction projects from the issuance of South Texas College District Limited Tax Bonds, Series 2014 and 2015 and a \$2.7 million decrease in the current portion of bonds payable.

Bonds payable and net pension liability comprise the majority of the noncurrent liabilities balance in 2018. Excluding GASB 75 and the net OPEB Liability, noncurrent liabilities decreased \$9.7 million. The main reason for the decline is a decrease of \$8.0 million or 5.1% in noncurrent bonds payable attributed to debt service payments and a \$3.0 million decrease in net pension liability attributed to the difference in projected and actual investment earnings.

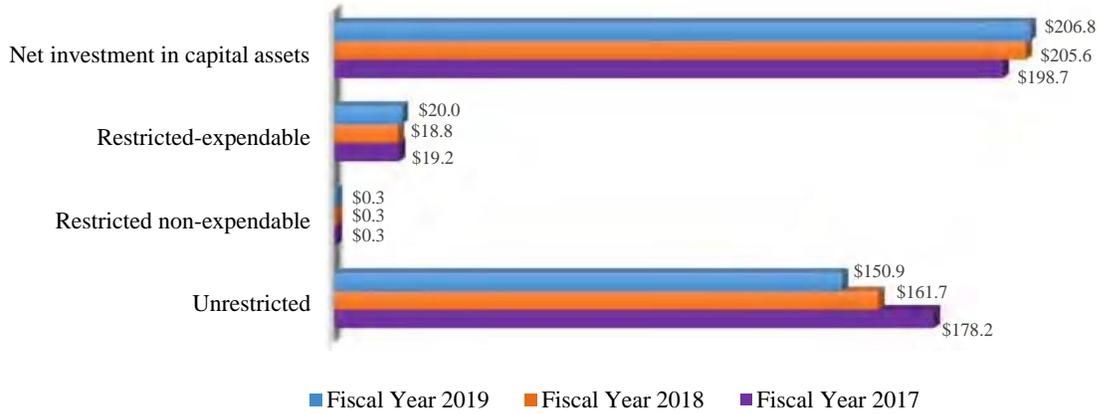
The District's net position at August 31, 2019 was \$378.0 million compared to \$386.4 million at August 31, 2018. The decrease of \$8.4 million is attributed to changes in allocation method by ERS which had a \$19.0 million negative impact on the unrestricted net position. Disregarding the effect of the change in ERS allocation method and TRS changes in assumptions, the District's net position increased by \$13.3 million resulting from excess revenues over expenses. Of the \$13.3 million increase in net position, the unrestricted net position increased by \$10.8 million, net investment in capital assets increased by \$1.3 million, and expendable net position increased by \$1.2 million.

The District's net position at August 31, 2018 was \$386.4 million compared to \$396.4 million at August 31, 2017. The decrease of \$10.0 million is attributed to the restatement of the beginning net position in 2018 of \$15.4 million as required by the implementation of GASB 75. Disregarding the effect of the restatement of the beginning net position, the District's net position increased by \$5.4 million resulting from excess revenues over expenses. Of the \$5.4 million increase in net position, the net investment in capital assets increased by \$6.9 million, which was offset by a decrease of \$1.1 million of unrestricted net position and a decrease of \$0.4 million in expendable net position.

A little over 50.0% of net position, \$206.8 million in 2019 and \$205.6 million in 2018, reflects the District's substantial net investment in capital assets, net of outstanding debt obligations and accumulated depreciation related to those capital assets. Restricted net position such as endowment gifts with specific restrictions, grants from third-party agencies with expenditure restrictions, student loan funds and assets designated for debt service represent an additional 5.3% in 2019 and 4.9% in 2018 of net position. The remaining unrestricted net position may be used for educational or general operations of the District, which were \$150.9 million and \$161.7 million as of August 31, 2019 and 2018.

**South Texas College District
Management’s Discussion and Analysis
August 31, 2019 and 2018**

**Net Position
Comparison - August 31, 2019, 2018 and 2017
(in millions)**



Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position present the District’s results of operations for the fiscal year. Activities are reported as either operating or non-operating. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating revenues are primarily those that result from instruction, the operation of the District’s auxiliary services, and federal and state grants. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the District. Depreciation on capital assets is included in operating expenses. Non-operating revenues are revenues received for which goods and services are not provided. State allocation and ad-valorem taxes are considered to be non-operating revenue. Since state allocation and ad-valorem taxes are a significant portion of general operations and maintenance funding, classification of this revenue as non-operating will usually result in an operating deficit, as it does for fiscal years 2019 and 2018.

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present revenues earned by the District, both operating and non-operating, expenses incurred by the District, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the District during the year.

**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

The following summary is prepared from the District's Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended August 31:

Condensed Statements of Revenues, Expenses and Changes in Net Position

(in millions)

	2019	2018	2017	2018-2019 2017-2018	
				Change	Change
Operating revenues	\$ 44.6	\$ 41.8	\$ 42.3	\$ 2.8	\$ (0.5)
Operating expenses	<u>228.7</u>	<u>197.5</u>	177.8	<u>31.2</u>	19.7
Operating loss	(184.1)	(155.7)	(135.5)	(28.4)	(20.2)
Non-operating revenues and expenses	175.7	161.0	160.6	14.7	0.4
Capital contributions	<u>-</u>	<u>0.1</u>	-	<u>(0.1)</u>	0.1
Increase in net position	(8.4)	5.4	25.1	(13.8)	(19.7)
Net position - beginning of year	386.4	396.4	371.3	(10.0)	25.1
Cummulative effect of change in accounting principle	<u>-</u>	<u>(15.4)</u>	-	<u>15.4</u>	(15.4)
Net position - end of year	<u>\$ 378.0</u>	<u>\$ 386.4</u>	<u>\$ 396.4</u>	<u>\$ (8.4)</u>	<u>\$ (10.0)</u>

The District's operating revenue increased \$2.8 million or 6.7% during fiscal year 2019 from \$41.8 million at August 31, 2018 to \$44.6 million at August 31, 2019. Net tuition and fees increased by \$0.9 million, attributable to \$1.4 million increase in gross tuition and \$1.7 million increase in gross fees, which were offset by an increase in scholarship allowance and discounts of \$2.2 million. There was a \$1.5 million increase in unrestricted local grants and contracts, primarily due to increased dual credit reimbursement from local independent school districts.

The District's operating revenue remained stable in 2018 and the District saw a slight decrease of \$0.5 million or 1.2% from \$42.3 million for the period ending August 31, 2017. Although net tuition and fees decreased \$1.5 million, gross tuition and fees increased \$5.1 million primarily due to a \$4.9 million increase in fees. This increase was offset by an increase in scholarship allowances and discounts of \$6.7 million. There was an increase in federal grants to students by \$3.0 million due to a change in the Federal Pell Grant program, which now allows the District to award Pell grants year around. This allows an eligible student to receive up to 150 % of the student's Federal Pell Grant award. Exemptions increased \$2.6 million compared to 2017. The decrease in net tuition and fees was offset by an increase of \$0.5 million in non-governmental grants and contracts and \$0.5 million in local grants and contracts.

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Grants and contracts include restricted revenues made available by government agencies as well as private agencies. Grant funding is recognized as revenue at the point when all eligibility requirements imposed by the provider have been met. This source of revenue was 43.7% in 2019 and 42.1% in 2018 of total revenues.

Operating expenses increased \$31.2 million or 15.8% during 2019 to \$228.7 million and \$19.7 million or 11.1% during 2018 to \$197.5 million. Due to implementation of GASB 75 in 2018 and the change of allocation method in 2019, which changed how OPEB expense is calculated and recorded, the District saw an increase in OPEB expense during both fiscal years. This increase is distributed across the functional expense categories discussed below, and had a \$19.0 million impact on expenses during fiscal year 2019, due to the change in allocation method, as discussed earlier.

For fiscal year 2019, there was a total of \$31.2 million increase in operating expenses. However, out of the \$31.2 million increase, \$19.0 million was due to GASB 75 OPEB and \$2.7 million was due to GASB 68 pension expense, as discussed earlier. Excluding the effect of GASB 75, there was a \$9.4 increase in operating expenses during fiscal 2019 compared to fiscal 2018. The driving factors for the increase during fiscal 2019 were increases of \$2.1 million in instruction, \$1.7 million in academic support, \$1.5 million in institutional support and \$1.5 million in operations and maintenance. These increases were attributed to that the Board of Trustees approved a 3% salary increase for all faculty and staff, new positions for 2019 and salary adjustments to existing positions. The District also experienced an increase in health insurance costs not funded by the State. The operations and maintenance of plant expenses increased by \$1.5 million due to new furniture and equipment purchased for the new buildings predominantly constructed during fiscal year 2018, and depreciation expense increased \$2.1 million directly related to the new buildings in operation.

For fiscal year 2018, the driving factors for the \$19.7 million increase were related to the completion of construction projects related to the issuance of South Texas College District Limited Tax Bonds, Series 2014 and 2015. The \$6.9 million increase in instruction and \$1.6 million in public service are related to new faculty and staff positions created as a result of the new buildings and more classroom spaces available. The operations and maintenance of plant expenses increased by \$4.1 million due new furniture and equipment purchased for the new buildings. Depreciation expense increased by \$2.7 million and is directly related to the new buildings in operation compared to 2017. Scholarships and fellowships expenses increased by \$1.4 million directly related to the change in the Federal Pell Grant program.

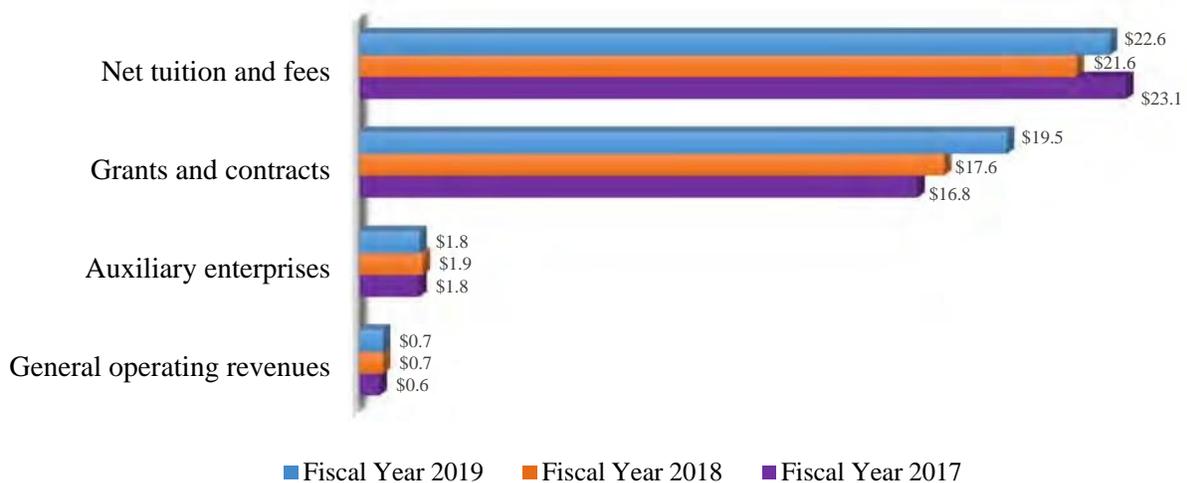
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Operating revenues, used to fund operating expenses, consisted of the following percentages of the total:

**Condensed Operating Revenues
(in millions)**

	2019		2018		2017	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Net tuition and fees	\$ 22.6	49.7%	\$ 21.6	51.7%	\$ 23.1	54.6%
Grants and contracts	19.5	43.3%	17.6	42.1%	16.8	39.7%
Auxiliary enterprises	1.8	3.9%	1.9	4.5%	1.8	4.3%
General operating revenues	0.7	3.1%	0.7	1.7%	0.6	1.4%
Total	\$ 44.6	100.0%	\$ 41.8	100.0%	\$ 42.3	100.0%

**Condensed Operating Revenues
Comparison - Fiscal years 2019, 2018 and 2017
(in millions)**



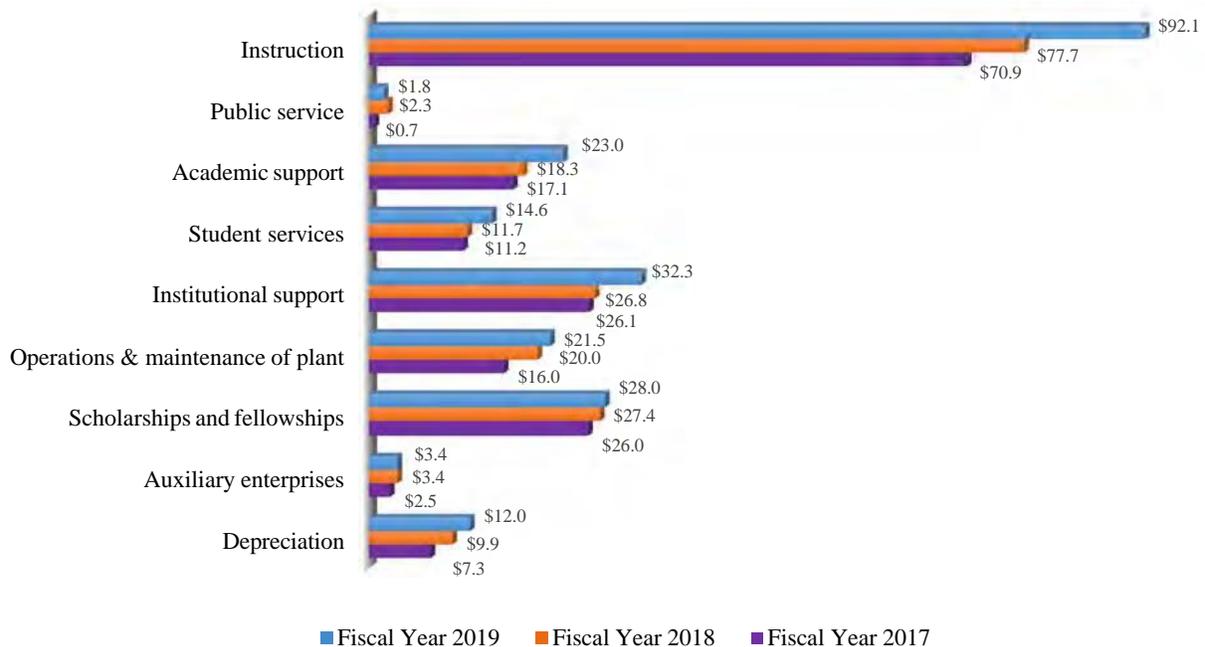
Operating expenses, including depreciation, may be viewed by their function or by natural (object) classification as illustrated on the next page:

**South Texas College District
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**Operating Expenses by Function
(in millions)**

	2019		2018		2017	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Instruction	\$ 92.1	39.4%	\$ 77.7	39.3%	\$ 70.9	39.9%
Public service	1.8	1.2%	2.3	1.2%	0.7	0.4%
Academic support	23.0	9.3%	18.3	9.3%	17.1	9.6%
Student services	14.6	6.0%	11.7	5.9%	11.2	6.3%
Institutional support	32.3	13.6%	26.8	13.6%	26.1	14.7%
Operations and maintenance of plant	21.5	10.2%	20.0	10.1%	16.0	9.0%
Scholarships and fellowships	28.0	13.7%	27.4	13.9%	26.0	14.6%
Auxiliary enterprises	3.4	1.6%	3.4	1.7%	2.5	1.4%
Depreciation	12.0	5.0%	9.9	5.0%	7.3	4.1%
Total	\$ 228.7	100.0%	\$ 197.5	100.0%	\$ 177.8	100.0%

**Operating Expenses by Function
Comparison - Fiscal years 2019, 2018 and 2017
(in millions)**

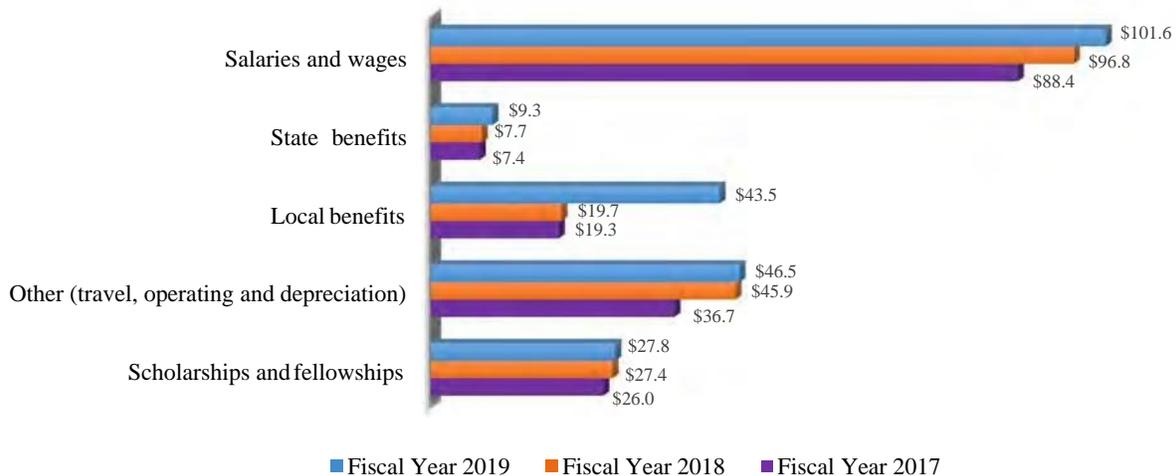


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**Operating Expenses by Classification
(in millions)**

	2019		2018		2017	
	Percentage		Percentage		Percentage	
	Amount	of Total	Amount	of Total	Amount	of Total
Salaries and wages	\$101.6	44.4%	\$96.8	49.0%	\$88.4	49.7%
State benefits	9.3	4.1%	7.7	3.9%	7.4	4.2%
Local benefits	43.5	19.0%	19.7	10.0%	19.3	10.9%
Other (travel, operating and depreciation)	46.5	20.3%	45.9	23.2%	36.7	20.6%
Scholarships and fellowships	27.8	12.2%	27.4	13.9%	26.0	14.6%
	\$228.7	100.0%	\$197.5	100.0%	\$177.8	100.0%

**Operating Expenses by Classification
Comparison - Fiscal years 2019, 2018 and 2017
(in millions)**



Net non-operating revenues and expenses increased by \$14.7 million or 9.1% to \$175.7 million in 2019 and \$0.4 million or 0.2% to \$161.0 million in 2018. The primary drivers of the increase in non-operating revenue and expenses during fiscal year 2019 were a decrease of \$9.1 million or 81.8% of non-capital construction cost compared to fiscal year 2018 due to a decline in construction projects, a \$4.0 million or 4.0% increase in ad-valorem taxes revenue caused by an increase in property valuation in the District, and a \$1.9 million or 50.7% increase in investment income due to increased interest rates which the College took advantage of by investing additional funds in Certificate of Deposits compared to 2018.

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The primary drivers of the increase in non-operating revenue and expenses during 2018 was \$2.6 million or 5.8% in state allocations, \$4.6 million 8.3% in Federal non-operating revenue resulting from the change in the Federal Pell Grant program and \$1.1 million or 41.6% increase in investment income. These increases in revenue were offset by an increase of \$7.6 million in non-capital construction cost.

Excluding the impact of GASB 75 restatement to net position, the Statements of Revenues, Expenses and Changes in Net Position reflect a positive year with a \$10.6 million increase in the position at the end of the year.

Non-operating revenues consisted of the following:

	Non-Operating Revenues					
	(in millions)					
	<u>2019</u>		<u>2018</u>		<u>2017</u>	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
State appropriations	\$ 49.6	27.0%	\$ 47.9	27.1%	\$ 45.3	26.9%
Ad-valorem taxes - maintenance and operations	53.9	29.3%	48.9	27.7%	48.8	28.9%
Ad-valorem taxes - debt service	14.7	8.0%	15.6	8.8%	15.7	9.3%
Federal revenue, non- operating	59.4	32.3%	60.3	34.1%	55.7	33.0%
Gifts	0.3	0.2%	0.3	0.2%	0.3	0.2%
Investment income (net of investment expenses)	5.6	3.0%	3.7	2.1%	2.6	1.5%
Other non-operating revenues	0.4	0.2%	-	0.0%	0.4	0.2%
Total	<u>\$ 183.9</u>	<u>100.0%</u>	<u>\$ 176.7</u>	<u>100.0%</u>	<u>\$ 168.8</u>	<u>100.0%</u>

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Non-operating expenses consisted of the following:

	Non-Operating Expenses					
	(in millions)					
	2019		2018		2017	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Interest on capital related debt	\$ 5.7	69.6%	\$ 3.5	22.3%	\$ 4.2	51.2%
Loss on sale/disposal/return of capital assets	0.1	1.4%	0.8	5.1%	-	0.0%
Non-capital construction costs	2.0	24.8%	11.1	70.7%	3.5	42.7%
Bond costs amortization	0.2	2.1%	0.3	1.9%	0.3	3.7%
Other non-operating expenses	0.2	2.1%	-	0.0%	0.2	2.4%
Total	\$ 8.2	100.0%	\$ 15.7	100.0%	\$ 8.2	100.0%
Net non-operating revenues (expenses)	<u>\$ 175.7</u>		<u>\$ 161.0</u>		<u>\$ 160.6</u>	

The financial statements included in this MDA includes the impact of GASB 68 and GASB 75, and even though they are required entries by GASB, the District doesn't deem that the result with these entries reflect the District's operations throughout the years. Disregarding the impact of GASB 68 and GASB 75, the District had an increase in net position of \$13.3 million.

**Statements of Revenues, Expenses and Changes in Net Position
Excluding impact of GASB 68 (Pension) and GASB 75 (OPEB)**
(in millions)

	2019	2018	2018-2019 Change
Operating revenues	\$ 44.6	\$ 41.8	\$ 2.8
Operating expenses	207.0	197.7	9.3
Operating loss	(162.4)	(155.9)	(6.5)
Non-operating revenues and expenses	175.7	161.0	14.7
Capital contributions	-	0.1	(0.1)
Increase in net position	13.3	5.2	8.1
Net position - beginning of year	<u>427.8</u>	<u>422.6</u>	<u>5.2</u>
Net position - end of year	<u>\$ 441.1</u>	<u>\$ 427.8</u>	<u>\$ 13.3</u>

**South Texas College District
Management's Discussion and Analysis
August 31, 2019 and 2018**

Statements of Cash Flows

Another important factor to consider when evaluating financial viability is the District's ability to meet financial obligations as they mature and the impact of external financing. The Statements of Cash Flows present information related to cash inflows and outflows summarized by operating, non-capital financing, capital and related financing and investing activities.

The following summary is prepared from the District's Statements of Cash Flows for the fiscal years ended August 31:

Condensed Statement of Cash Flows
(in millions)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2018-2019 Change</u>
Cash provided (used) by:				
Operating activities	\$ (144.5)	\$ (153.2)	\$ (123.9)	\$ 8.7
Non-capital financing activities	156.6	155.5	144.4	1.1
Capital and related financing activities	(7.0)	(67.4)	(86.0)	60.4
Investing activities	<u>(44.6)</u>	<u>26.8</u>	<u>43.9</u>	<u>(71.4)</u>
Net change in cash and cash equivalents	(39.5)	(38.3)	(21.6)	(1.2)
Cash and cash equivalents-Sept 1,	<u>137.8</u>	<u>176.1</u>	<u>197.7</u>	<u>(38.3)</u>
Cash and cash equivalents-August 31,	<u>\$ 98.3</u>	<u>\$ 137.8</u>	<u>\$ 176.1</u>	<u>\$ (39.5)</u>

The Statements of Cash Flows indicates an overall decrease in cash and cash equivalents of \$39.5 million at August 31, 2019 and \$38.3 million at August 31, 2018.

Net cash used for operating activities decreased by \$8.7 million or 5.7% during 2019 and increased by \$29.3 million or 23.6% during 2018. In 2019, the primary use of cash in operations was in payment of salaries and benefits, which increased by \$6.0 million or 5.1% during 2019 to \$125.3 million. Payments for non-operating construction cost decreased by \$8.6 million or 81.0% to \$2.0 million during 2019. Receipts from students and other customers increased \$3.6 million or 16.4% to \$25.4 million and receipts from grants and contracts increased by \$1.9 million to \$19.5 million. In 2018, the primary use of cash in operations was in payment of salaries and benefits, which increased by \$10.5 million or 9.7% during 2018 to \$119.3 million. Payments for non-operating construction cost increased by \$8.2 million or 334.3% to \$10.6 million during 2018 and payments to suppliers for goods or services increased \$6.7 million to \$35.7 million during 2018. Receipts from students and other customers decreased \$3.4 million to \$21.8 million and payments for scholarships and fellowships increased by \$1.5 million.

Net cash provided by non-capital financing activities increased by \$1.1 million or 0.7% during 2019 and \$11.1 million or 7.6% during 2018. Sources of cash from non-capital financing activities are primarily from non-operating federal revenue, state allocations and ad-valorem taxes for maintenance and operations. In 2019, receipts from ad-valorem taxes-maintenance and operation

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Management's Discussion and Analysis
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increased by \$2.1 million which was offset by a decrease of \$0.9 million in receipts from non-operating federal revenue. In 2018, receipts from non-operating federal revenue increased \$4.6 million or 8.3% to \$60.3 million and receipts from ad-valorem taxes increased by \$3.3 million or 6.8% to \$51.9 million. Furthermore, state allocations increased by 2.9 million or 7.3% to \$42.9 million.

Net cash used for capital and related financing activities decreased \$60.4 million or 89.6% during 2019 and decreased \$18.6 million or 21.6% during 2018. Capital and related financing activities include proceeds on issuance of capital debt and ad-valorem taxes for debt service and payment of capital debt, both principal and interest, as well as capital asset acquisitions. The primary reason in 2019 for the decrease is due to a \$60.1 million decrease in purchases of capital assets including payments for construction costs. The primary reasons in 2018 for the decrease are due to \$16.0 million decrease in purchases of capital assets including payments for construction costs of \$68.5 million and an increase in receipts from ad-valorem taxes-debt services of \$1.1 million or 6.7% to \$16.7 million.

Net cash provided by investing activities decreased \$71.4 million or 266.3% during 2019 and decreased \$17.1 million or 39.0% during 2018. Investing activities include purchase of investments, proceeds from sale and maturity of investments, and receipts from interest on investments. Proceeds from sale of maturity of investments decreased \$76.0 million or 113.5% in 2019 and \$64.2 million or 41.6% during 2018 and a reduction in purchase of investments increased the cash flow by \$46.0 million during 2018 compared to 2017.

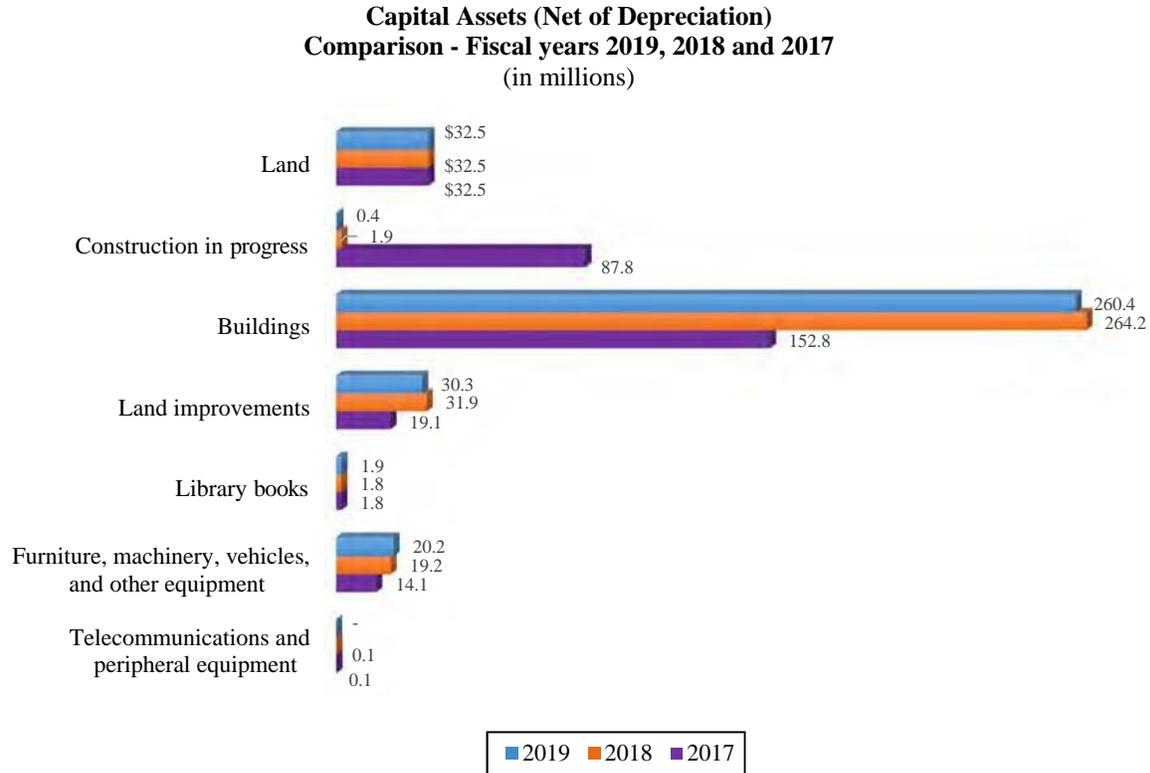
Capital Assets and Long-Term Debt Administration

The District had \$446.7 million in capital assets and \$101.0 million in accumulated depreciation at August 31, 2019.

	Capital Assets			2018-2019 2017-2018	
	(Net of Depreciation)				
	(in millions)				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>Change</u>
Land	\$ 32.5	\$ 32.5	\$ 32.5	\$ -	\$ -
Construction in progress	0.4	1.9	87.8	(1.5)	(85.9)
Buildings	260.4	264.2	152.8	(3.8)	111.4
Land improvements	30.3	31.9	19.1	(1.6)	12.8
Library books	1.9	1.8	1.8	0.1	-
Furniture, machinery, vehicles, and other equipment	20.2	19.2	14.1	1.0	5.1
Telecommunications and peripheral equipment	-	0.1	0.1	(0.1)	-
	<u><u>\$ 345.7</u></u>	<u><u>\$ 351.6</u></u>	<u><u>\$ 308.2</u></u>	<u><u>\$ (5.9)</u></u>	<u><u>\$ 43.4</u></u>

**South Texas College District
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Below is a graphic illustration of capital assets, net of depreciation at August 31, 2019, 2018 and 2017.



In 2019, the decrease in net capital assets of \$5.9 million or 1.7%, was due to a \$10.7 million increase in accumulated depreciation and a decrease in construction in progress of \$1.5 million, which was offset by a \$4.4 million increase in furniture, machinery, vehicles and other equipment, and a \$2.4 million increase in land improvements. The increase in depreciation was related to the new facilities, land improvement, and furniture and equipment added during fiscal 2018 that were funded by the District Limited Tax Bonds Series 2014 and 2015, and depreciated for 12 months during fiscal year 2019.

In 2018, the increase in net capital assets of \$43.4 million or 14.1%, was due to a \$111.4 million increase in buildings, and \$12.8 million increase in land improvements, offset by a net decrease in construction in progress of \$85.9 million. The new facilities are funded by the District Limited Tax Bonds Series 2014 and 2015.

The bonds payable liability balances at August 31, 2019, 2018, and 2017 are as follows:

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Management's Discussion and Analysis
August 31, 2019 and 2018**

**Outstanding Debt - Bonds
(in millions)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ -	\$ 0.4	\$ 0.7
South Texas College District Limited Tax Refunding Bonds, Series 2007	-	-	6.4
South Texas College District Limited Tax Refunding Bonds, Series 2010	-	0.4	2.4
South Texas College District Limited Tax Bonds, Series 2014	51.5	53.7	53.8
South Texas College District Limited Tax Bonds, Series 2015	<u>84.6</u>	<u>88.6</u>	<u>89.2</u>
Total Bonds Payable	<u>\$ 136.1</u>	<u>\$ 143.1</u>	<u>\$ 152.5</u>

The District is authorized to issue negotiable coupon bonds for the construction and equipment of school buildings and purchase of necessary site, per Education Code Section 130.122, provided that the annual bond tax should never exceed \$0.50 per \$100 valuation of taxable property. The District's debt tax rate in fiscal year 2019 was \$0.0380 per \$100 valuation of taxable property.

The District's bond ratings on the outstanding bonds are AA by Standard & Poor's Ratings Services and Aa2 by Moody's Investors Service.

The bonds were issued to address the facility requirements of the District due to the enrollment increase over the years since the District's inception. For additional information concerning capital assets and long-term debt, see Notes No. 5, No. 6, No. 7, and No. 8 in the Notes to the Financial Statements.

Economic Outlook

The certified net taxable assessed value increased for fiscal year 2020 by 4.9%. For fiscal year 2020 the Board approved the same maintenance and operations tax rate as fiscal year 2019 of \$0.014 per \$100 valuation. The Board approved fiscal year 2020 debt service tax rate was decreased by \$0.005 to \$0.0330 per \$100 valuation.

The level of state appropriations Texas community colleges historically received enabled the low tuition rates community colleges provided. The District will continue to receive the majority of state funding based on contact hours, however a portion of the funding is tied to a success-points system in which colleges earn funding for students' academic milestones. In the future, the District and all Texas community colleges, will continue to face a challenge to fund the increasing demand

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Management's Discussion and Analysis
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for state education services. The District will continue to focus on increased enrollment and student success, as well as meeting the workforce needs, while maintaining its sound financial position. Although some uncertainty on how the pension and OPEB liabilities will impact the district in the future, the outlook of the District for the foreseeable future remains positive as a result of its strategic direction, fiscal management and stable local economy.

Request for Information

This financial report is intended to provide a general overview of the District's finances. Requests for additional financial information may be addressed to South Texas College, Office of the President, 3201 W Pecan Boulevard, McAllen, Texas 78502-9701.

South Texas College District
Statements of Net Position
August 31, 2019 and 2018

Exhibit 1

	FY 2019	FY 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 93,308,873	\$ 130,648,246
Restricted cash and cash equivalents	4,991,451	7,083,238
Short-term investments	11,683,436	5,049,348
Restricted short-term investments	12,500,000	3,027,158
Accounts receivable (net of allowance for doubtful accounts of \$4,616,841 in 2019 and \$4,576,249 in 2018)	4,830,374	4,908,956
Taxes receivable (net of allowance for doubtful accounts of \$6,704,080 in 2019 and \$6,434,600 in 2018)	6,533,815	6,561,500
Deposits in escrow	126,801	126,801
Prepaid expenses	1,465,186	1,288,362
Total Current Assets	135,439,936	158,693,609
Noncurrent Assets:		
Restricted cash and cash equivalents	-	20,957
Endowment investments	5,590	5,590
Long-term investments	134,281,970	93,783,136
Restricted short-term investments	331,900	331,900
Restricted long-term investments	-	6,565,106
Deferred bond issuance costs (net of related amortization of \$0 in 2019 and \$644 in 2018)	-	644
Capital assets, net (Note 5)	345,712,810	351,560,687
Total Noncurrent Assets	480,332,270	452,268,020
Total Assets	615,772,206	610,961,629
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on debt refundings	-	165,629
Deferred outflows related to pensions	26,100,324	6,294,843
Deferred outflows related to OPEB	91,496,176	423,629
Total Deferred Outflows of Resources	117,596,500	6,884,101
Total Assets & Deferred Outflows of Resources	733,368,706	617,845,730
LIABILITIES		
Current Liabilities:		
Accounts payable	3,300,117	5,429,785
Accrued liabilities	3,240,020	2,852,826
Lease liabilities - current portion	68,527	68,527
Accrued compensable absences - current portion	910,507	720,674
Funds held for others	305,917	301,482
Unearned revenue	16,609,083	15,696,748
Bonds payable - current portion	8,109,737	8,020,028
OPEB liability -current portion	1,332,834	-
Total Current Liabilities	33,876,742	33,090,070

The accompanying notes are an integral part of the financial statements.

**South Texas College District
Statements of Net Position
August 31, 2019 and 2018**

Exhibit 1

	FY 2019	FY 2018
Noncurrent Liabilities:		
Accrued compensable absences	161,848	153,131
Lease liability	1,233,478	1,302,005
Bonds payable, net	140,703,152	148,812,889
Net pension liability	50,754,514	26,614,054
Net OPEB liability	89,275,631	13,234,872
Total Noncurrent Liabilities	282,128,623	190,116,951
Total Liabilities	\$ 316,005,365	\$ 223,207,021
 DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to pensions	\$ 3,719,284	\$ 5,331,767
Deferred inflows related to OPEB	35,640,925	2,926,295
Total Deferred Inflows of Resources	39,360,209	8,258,062
 NET POSITION		
Net investment in capital assets	206,861,404	205,569,611
Restricted for:		
Expendable		
Student aid	2,429,767	3,104,327
Instructional programs	78,318	89,936
Institutional activities	112,247	113,636
Loans	1,518,959	1,423,070
Debt service	15,817,687	14,017,689
Non-expendable		
Endowment	339,500	339,472
Unrestricted	150,845,250	161,722,906
Total Net Position (Schedule D)	378,003,132	386,380,647
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 733,368,706	\$ 617,845,730

The accompanying notes are an integral part of the financial statements.

South Texas College District
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended August 31, 2019 and 2018

Exhibit 2

	FY 2019	FY 2018
OPERATING REVENUES		
Tuition and fees (net of discounts of \$78,206,276 in 2019 and \$76,016,388 in 2018)	\$ 22,589,007	\$ 21,657,866
Federal grants and contracts	4,660,747	4,304,540
State grants and contracts	4,701,165	4,108,972
Local grants and contracts	8,160,205	6,660,734
Non-governmental grants and contracts	2,022,875	2,538,696
Auxiliary enterprises	1,766,603	1,890,180
General operating revenues	665,435	704,996
Total Operating Revenues (Schedule A)	44,566,037	41,865,984
OPERATING EXPENSES		
Educational and general		
Instruction	92,144,487	77,741,287
Public service	1,860,996	2,276,663
Academic support	23,030,399	18,306,332
Student services	14,602,287	11,722,551
Institutional support	32,251,981	26,803,724
Operations and maintenance of plant	21,534,803	20,048,333
Scholarships and fellowships	27,797,829	27,412,188
Auxiliary enterprises	3,451,000	3,355,013
Depreciation	12,009,110	9,917,643
Total Operating Expenses (Schedule B)	228,682,892	197,583,734
OPERATING LOSS	(184,116,855)	(155,717,750)
NON-OPERATING REVENUES (EXPENSES)		
State appropriation	49,608,274	47,940,649
Ad-valorem taxes		
Taxes for maintenance and operations	53,934,103	48,931,234
Taxes for debt service	14,694,007	15,656,580
Federal revenue, non-operating	59,341,569	60,276,808
Gifts	320,507	353,250
Investment income (net of investment expenses)	5,572,742	3,698,483
Insurance proceeds	425,000	14,959
Interest on capital related debt	(5,690,864)	(3,513,058)
Gain (loss) on disposal of capital assets	(110,937)	(831,484)
Non-capital construction costs	(2,025,830)	(11,107,175)
Bond costs amortization	(166,273)	(268,803)
Other non-operating revenues (expenses)	(178,068)	(65,224)
Net Non-Operating Revenues (Expenses) (Schedule C)	175,724,230	161,086,219
Income Before Contributions and Extraordinary Item	(8,392,625)	5,368,469
Capital contributions	15,110	65,259
Increase In Net Position	(8,377,515)	5,433,728
NET POSITION		
Net Position-Beginning of Year	386,380,647	396,395,889
Cumulative Effect of Change in Accounting Principle (Note 2)	-	(15,448,970)
Net Position-Beginning of Year, as restated	386,380,647	380,946,919
Net Position-End of Year	\$ 378,003,132	\$ 386,380,647

The accompanying notes are an integral part of the financial statements.

South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2019 and 2018

Exhibit 3

	FY 2019	FY 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from students and other customers	\$ 25,403,785	\$ 21,832,188
Receipts from grants and contracts	19,540,329	17,619,514
Payments to suppliers for goods or services	(34,483,897)	(35,713,067)
Payments to or on behalf of employees	(125,312,539)	(119,268,371)
Payments for scholarships and fellowships	(27,712,222)	(27,472,526)
Payments for loans issued to students	(1,504,631)	(1,076,123)
Receipts from collection of loans to students	1,399,473	1,015,165
Other receipts	479,664	520,178
Payments for non-operating construction costs	(2,023,578)	(10,642,236)
Payments for non-operating transactions	(246,594)	(33,469)
Net cash used by operating activities	(144,460,210)	(153,218,747)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Receipts from state appropriations	42,849,063	42,916,439
Receipts from ad-valorem taxes-maintenance and operation	54,060,569	51,943,499
Receipts from non-operating federal revenue	59,341,569	60,276,808
Payments for collection of taxes for maintenance and operation	(197,150)	(196,201)
Receipts from gifts or grants for other than capital purposes	320,507	326,271
Receipts from student organizations and other agency transactions	3,134,255	3,496,897
Payments to student organizations and other agency transactions	(3,244,192)	(3,281,767)
Receipts from endowment interest	9,182	5,024
Proceeds from insurance claims	325,000	14,959
Net cash provided by non-capital financing activities	156,598,803	155,501,929
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts from ad-valorem taxes-debt services	14,846,301	16,719,644
Payments for collection of taxes for debt service	(53,087)	(60,201)
Contribution received in aid of construction	278,994	1,066,173
Proceeds from sale/return of capital assets	3,790	6,547
Purchases of capital assets including payments for construction costs	(8,390,283)	(68,511,131)
Payments on capital debt-principal	(6,955,000)	(9,430,000)
Payments on capital debt-interest and fees	(6,771,756)	(7,239,606)
Net cash used by capital and related financing activities	(7,041,041)	(67,448,574)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale and maturity of investments	92,994,942	90,089,499
Receipts from interest on investments	5,490,989	3,702,349
Purchase of investments	(143,035,600)	(67,000,000)
Net cash (used) provided by investing activities	(44,549,669)	26,791,848
Decrease in cash and cash equivalents	(39,452,117)	(38,373,544)
Cash and cash equivalents-September 1,	137,752,441	176,125,985
Cash and cash equivalents-August 31,	\$ 98,300,324	\$ 137,752,441

The accompanying notes are an integral part of the financial statements.

South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2019 and 2018

Exhibit 3

	FY 2019	FY 2018
Reconciliation of net operating loss to net cash used		
by operating activities:		
Operating loss	\$ (184,116,855)	\$ (155,717,750)
Adjustments to reconcile net operating loss to net cash used		
by operating activities:		
Depreciation expense	12,009,110	9,917,643
Payments made directly by state for benefits	6,759,210	5,740,268
Payments for non-operating construction costs	(2,023,578)	(10,642,236)
Payments for non-operating transactions	(250,329)	(33,469)
Changes in assets and liabilities:		
Receivables, net	(24,107)	(491,807)
Prepaid expenses	(176,824)	(139,868)
Deferred outflow related to pension	(15,712,549)	3,683,810
Deferred outflow related to OPEB	(91,072,547)	(59,741)
Accounts payable	(42,585)	143,550
Accrued liabilities	401,907	197,044
Compensable absences	198,550	(39,361)
Unearned revenues	1,067,119	(1,217,478)
Pension NECE	-	(716,058)
Net pension liability	24,140,460	(3,027,882)
Net OPEB liability	77,373,593	(2,577,986)
Deferred inflow related to pensions	(5,705,415)	(1,163,721)
Deferred inflow related to OPEB	32,714,630	2,926,295
Net cash used by operating activities	\$ (144,460,210)	\$ (153,218,747)

Noncash investing, capital, and financing activities for fiscal year 2019:

During the fiscal year, General Motors donated to the Automotive Technology a 2016 GM Chevrolet Silverado vehicle valued at \$11,165.

The Library Art Gallery Department received several work of art donations amounting to a net value of \$3,945. Seven pieces of art work were individually valued at \$2,500, \$500, \$350, \$300, \$175, \$80, and \$40 and entitled respectively as follows: "Slate", "Las Frutas de my Vida", " In His Place", "Untitled", "Tea Bowl with Tray", "Stormy Skies Plate", and "Ukrainian Skycutter Pigeon".

In-kind contributions provided by vendors for the Valley Scholars Program during the fiscal year amounted to \$35,921.

Bond discount and premiums are amortized over the debt repayment period for the following bond series.

Premium - MTR Bond Series 2007	\$ 1,666
Premium - LTR Bond Series 2010	248,625
Premium - LT Bond Series 2014	332,905
Premium - LT Bond Series 2015	481,832

The deferred loss ending balance as of August 31, 2019 is \$7,878 and \$157,751 for MTR Bond Series 2007 and LTR Bond Series 2010, respectively, which will be amortized over the debt repayment period.

**South Texas College District
Statements of Cash Flows
For the Years Ended August 31, 2019 and 2018**

Exhibit 3

The bond issuance costs are amortized over the debt repayment period for the following bond series.

MTR Bond Series 2007	\$	644
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Pledge contributions as of August 31, 2019, consisted of \$35,090 non-cash and \$11,000 cash.

Payments made directly by the state for benefits as of August 31, 2019, consisted of \$5,401,152

Non-cash investing, capital, and financing activities for fiscal year 2018:

Library books donated to the District during the fiscal year amounted to \$1,685.

During the fiscal year, General Electric Aviation donated to the Institute of Advanced Manufacturing Department, a Fanuc Robot 1000iA/100F valued at \$29,500 and a ACME Robotic Gridding Cell valued at \$26,000, totaling \$55,500.

The Library Art Gallery Department received several work of art donations amounting to a net value of \$8,074. Nine pieces of art work individually valued at \$111 and entitled "Excision", "Sewn Shut", "Stitched Up", "Held Down", "Infibulation", "Pharanoic Circum", "Screaming in Agony", "Clitoridectomy", and "Cut with a Knife". Twelve paintings entitled "A Surgical Performance", "An Unanticipated Complication", "Such a Tender Age", "The Examination", "The First Step", "An Invasive Procedure", "An Unseemly Growth", "The Excision", "The Incision", "The Practitioner's Method", "The Tumor", and "The Validation", each valued at \$400. In addition, six more paintings valued at \$100, \$125, \$250, \$350, \$400, \$450, and \$600 donated and entitled respectively as follows: "Gestures From My Sketchbook", "Retro Pop Plates", "Lucre", "Hello From Civilization", "Ecology of Mind", "Si La Tierra Pudiera Hablar", and "Red Shirt Red".

In-kind contributions provided by vendors for the Valley Scholars Program during the fiscal year amounted to \$36,227.

Bond discount and premiums are amortized over the debt repayment period for the following bond series.

Premium - MTR Bond Series 2007	\$	1,666
Premium - LTR Bond Series 2007		204,458
Premium - LTR Bond Series 2010		248,625
Premium - LT Bond Series 2014		332,905
Premium - LT Bond Series 2015		481,832

The deferred loss ending balance as of August 31, 2018 is \$7,878 and \$157,751 for MTR Bond Series 2007 and LTR Bond Series 2010, respectively, which will be amortized over the debt repayment period.

The bond issuance costs are amortized over the debt repayment period for the following bond series.

MTR Bond Series 2007	\$	644
LTR Bond Series 2007		6,214

Pledge contributions as of August 31, 2018, consisted of \$31,355 non-cash and \$10,500 cash.

Payments made directly by the state for benefits as of August 31, 2018, consisted of \$5,740,268

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 1 – Reporting Entity

South Texas College District was established on June 1, 1993, in accordance with the laws of the State of Texas, to serve the educational needs of Hidalgo and Starr Counties and the surrounding communities. South Texas College District is considered to be a special-purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While the District receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

Note 2 – Summary of Significant Accounting Policies

A. Reporting Guidelines

The significant accounting policies followed by the District in preparing these financial statements are in accordance with the *Annual Financial Reporting Requirements for Texas Public Community Colleges established by the Texas Higher Education Coordinating Board (THECB)*. The accompanying financial statements of the District are presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as established by the Governmental Accounting Standards Board (GASB). The District applies all applicable GASB pronouncements. The District is reported as a special-purpose government engaged in business-type activities (BTA).

B. Nature of Operations

South Texas College District is a political subdivision of the State of Texas located in Hidalgo and Starr Counties, Texas. The District offers academic, general occupational, developmental and continuing adult education programs through a network of locations. The District is governed by a seven member Board of Trustees who serve staggered six-year terms with elections held in May of each even-numbered year.

C. Tuition Discounting

Texas Public Education Grants (TPEG)

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called TPEG, is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code Section 56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

Title IV, Higher Education Act Program (HEA) Funds

Certain Title IV HEA Program funds are received by the District to pass through to the student. These funds are initially received by the District and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Tuition Discounting (Continued)

Other Tuition Discounts

The District awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

D. Basis of Accounting

The District's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. All revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

E. Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. The District reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues are tuition and related fees, net of discounts. The District also recognizes as operating revenue federal, state and local grants, non-governmental grants and contracts, auxiliary enterprises and other operating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Non-operating revenues include activities that have the characteristic of non-exchange transactions, such as property tax, state appropriations, gifts and contributions and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and investment income. Non-exchange transactions are recognized in accordance with the standards in GASB 33, *Accounting and Financial Reporting for Non-exchange Transactions* and GASB 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. The major non-operating revenues are allocations from the state, including restricted revenues such as state insurance and benefit allocations, property tax collections and Title IV funds. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are reported as non-operating revenues or non-operating expenses. The operation of the bookstore is not performed by the District.

F. Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board of Trustees adopts the budget, for internal management use at the individual fund and account group level on which the books of the District are maintained, and it is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Budgetary Data (Continued)

Board, the Legislative Budget Board, the Legislative Reference Library and the Governor’s Office of Budget and Planning by December 1.

G. Elimination of Internal Activity

The internal activity and balances reflected in the internal use only fund financial statements are eliminated in the preparation of the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, to avoid the inappropriate “grossing-up” effects that internal activity would otherwise have on aggregated amounts.

H. Cash and Cash Equivalents

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

I. Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments reserved for payment of restricted current liabilities are included as current assets. Cash and cash equivalents and investments that are externally restricted as to their use are classified as noncurrent assets in the Statements of Net Position. This category includes cash and investment balances restricted to make debt service payments, maintain sinking or reserve funds, or purchase or construct capital or other noncurrent assets, or that are restricted by donors.

J. Investments

In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

K. Inventories

Inventories consist of consumable office supplies, physical plant supplies and food service supplies. Inventories are valued at cost under the “first-in, first-out” method and are charged to expenses as consumed.

L. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at their acquisition cost at the date of donation. South Texas College District capitalization policy includes real and personal property with a unit cost equal to or greater than \$5,000 and an estimated useful life in excess of one year. Renovations of \$100,000 or more to buildings and infrastructure and land improvements that

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Capital Assets (Continued)

significantly increase the value or extend the useful life of the structure are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following useful lives are used:

Buildings	50 years
Facilities and land improvements	20 years
Library books and materials	15 years
Furniture, machinery, vehicles and other equipment	10 years
Telecommunications and peripheral equipment	5 years
Land and work of art/collections	Not Depreciated

Residual values of 10% are maintained for buildings, facilities and land improvements.

M. Deferred Outflows of Resources

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources, which represents a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources (expensed) until then. Governments are only permitted to report deferred outflows in circumstances specifically authorized by the GASB. The District recorded deferred outflows of resources for deferred charges on refunding of debt, and deferred outflows of resources for its proportionate share of collective deferred outflows of the Teacher Retirement System of Texas (TRS) pension plan required by the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions* and for contributions made to the TRS plan subsequent to the measurement date of the respective net pension liability. In addition, the District recorded deferred outflows of resources for its proportionate share of collective deferred outflows of the Employees Retirement System of Texas (ERS) other post-employment benefits (OPEB) plan required by the implementation of GASB Statement 75, *Accounting and Financial Reporting for OPEB* and for contributions made to the ERS plan subsequent to the measurement date of the respective net OPEB liability. For additional information, see Notes 9 and 12.

N. Unearned Revenues

Tuition and fees of \$14,869,247 and \$14,018,909 and federal, state, local, and private grants of \$1,739,836 and \$1,677,839 have been reported as unearned revenues at August 31, 2019, and 2018, respectively. Total unearned revenues were \$16,609,083 and \$15,696,748 at August 31, 2019, and 2018, respectively.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

O. Noncurrent Liabilities

Noncurrent liabilities include (1) principal amount of bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year, (2) other liabilities that will not be paid within the next fiscal year and (3) other liabilities that, although payable within a year, are to be paid from funds that are classified as noncurrent assets.

P. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities, and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

Q. Pensions

The District participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of the TRS has been determined by using the flow of economic resource measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net pension liability: deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, and liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable, in accordance with the benefit terms. Investments are reported at fair value.

R. Deferred Inflows of Resources

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources, which represent an acquisition of net position that applies to future periods and thus, will not be recognized as an inflow of resources (revenue) until then. Governments are only permitted to report deferred inflows in circumstances specifically authorized by the GASB. The District records deferred inflows of resources for its proportionate share of collective deferred inflows of the TRS pension plan and the ERS OPEB plan. For additional information, see Notes 9 and 12.

S. Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

T. Net Position

The District's net position is classified as follows:

Net investment in capital assets: This represents the District's total investment in capital assets, net of outstanding debt obligations and accumulated depreciation related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position—expendable: Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net position—non-expendable: Restricted non-expendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Unrestricted net position: Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments and auxiliary enterprises which are substantially self-supporting activities that provide services for students, faculty and staff.

These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose. When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources.

U. Capitalization of Interest

Interest cost during the construction period is capitalized in accordance with GASB Statement No. 62. The District's policy is to capitalize interest cost as a component of construction in progress upon completion of capital assets. As of August 31, 2019, the District incurred \$6,757,043 in interest cost expense and none was capitalized. As of August 31, 2018, the District incurred \$7,219,264 in interest cost expense and \$4,204,818 was capitalized.

V. Bond Discounts/Premiums

Bond discounts/premiums and issuance costs are deferred and amortized over the term of the bond. Bond discounts/premiums are presented as a reduction/addition of the face amount of bonds payable, whereas issuance costs for insurance premiums are recorded as deferred charges.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

W. Gain or Loss on Retirement of Debt

The gain or loss on the early retirement of debt is deferred and amortized over the shorter of (1) the remaining amortization period that was used in the original refunding or (2) the life of the newly issued debt. This deferred amount is reported as a deduction from the new debt liability on the statement of net position.

X. Prior- Year Reclassification

A reclassification in the Statement of Net Position was necessary in the section of the deferred outflows and inflows in order to net the differences between projected and actual investment earnings related to pension.

Note 3 – Authorized Investments

The District is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas, or its agencies and instrumentalities, (3) obligations of political subdivisions rated not less than A or its equivalent by a nationally recognized investment rating firm, (4) financial institution deposits issued by a depository institution, (5) no-load government money market mutual funds registered with and regulated by the Securities and Exchange Commission, (6) eligible investment pools organized and operating in compliance with the Public Funds Investment Act and continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service, and (7) other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States.

Note 4 – Cash, Cash Equivalents and Investments

The Public Funds Investment Act allows funds belonging to South Texas College District to be invested. District policy delegates this authority to three investment officers. It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objectives of the policy are preservation of capital, safety of District funds, and maintenance of sufficient liquidity, maximization of return within acceptable risk constraints and diversification of investments.

At August 31, 2019, and 2018, the carrying amount of South Texas College’s District bank deposits were \$86,798,355 and \$125,775,741 respectively, and total bank balances equaled \$90,046,844 and \$129,713,082, respectively. Federal Deposit Insurance Corporation (FDIC) deposit insurance of \$250,000

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 4 – Cash, Cash Equivalents and Investments (Continued)

served as collateral for demand deposit accounts, money market accounts, money market insured cash sweep accounts and time deposit accounts, respectively, at each financial institution. Deposits in excess of FDIC deposit insurance are collateralized at a minimum level of 102%, or 100% for Letters of Credit issued by a Federal Home Loan Bank, of the principal amount plus accrued interest of the deposit. Monthly collateral reports reporting the pledged securities and their fair values are required from each financial institution. The District is subject to collateral credit risk in the event of the bank’s nonperformance of collateral requirements under the collateral agreement.

Cash and cash equivalents and restricted cash and cash equivalents reported on Exhibit 1, Statements of Net Position, consist of the items reported below:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Bank Deposits		
Demand deposits	\$ 45,431,863	\$ 65,527,465
Money market deposits	<u>41,366,492</u>	<u>60,248,276</u>
Total bank deposits	86,798,355	125,775,741
Cash and Cash Equivalents		
Change funds on hand	11,810	11,825
Investment pools (TexPool)	<u>11,490,159</u>	<u>11,964,875</u>
Total Cash and Cash Equivalents	<u>\$ 98,300,324</u>	<u>\$ 137,752,441</u>

Total deposits and investments at August 31, 2019, and 2018, are as follows:

Reconciliation of Cash and Cash Equivalents and Investments to Statements of Net Position

<u>Type of Security</u>	<u>Fair Value</u> <u>August 31, 2019</u>	<u>Fair Value</u> <u>August 31, 2018</u>
Certificates of deposit	\$ 158,797,306	\$ 108,756,648
Endowment investment	<u>5,590</u>	<u>5,590</u>
Total Investments	158,802,896	108,762,238
Total Cash and Cash Equivalents	<u>98,300,324</u>	<u>137,752,441</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 257,103,220</u>	<u>\$ 246,514,679</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 4 – Cash, Cash Equivalents and Investments (Continued)

Exhibit 1

Cash and cash equivalents	\$ 93,308,873	\$ 130,648,246
Restricted cash and cash equivalents-current	4,991,451	7,083,238
Short-term investments-current	11,683,436	5,049,348
Restricted short-term investments-current	12,500,000	3,027,158
Restricted cash and cash equivalents-noncurrent	-	20,957
Endowment investment*	5,590	5,590
Long-term investments	134,281,970	93,783,136
Restricted short-term investments	331,900	331,900
Restricted long-term investments	-	6,565,106
Total Reconciliation to Exhibit 1	<u>\$ 257,103,220</u>	<u>\$ 246,514,679</u>

*Endowment investment consists of a donated coin collection.

As of August 31, 2019, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Exposure</u>	<u>Exposure Permitted by Investment Policy</u>
Investments pools (TexPool)	\$ 11,490,159	0.00	4.41%	50.00%
Certificates of deposit	158,797,306	0.83	60.96%	100.00%
Total Fair Value	<u>\$ 170,287,465</u>			

Portfolio weighted average maturity 0.51

As of August 31, 2018, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Exposure</u>	<u>Exposure Permitted by Investment Policy</u>
Investments pools (TexPool)	\$ 11,964,875	0.00	4.77%	50.00%
Certificates of deposit	108,756,648	0.82	39.95%	100.00%
Total Fair Value	<u>\$ 120,721,523</u>			

Portfolio weighted average maturity 0.37

Interest Rate Risk - In accordance with its Investment Policy, the District limits its exposure to interest rate risk by investing in securities whose maturities will not exceed the anticipated cash flow requirements for the funds and limits the weighted average maturity of its investment portfolio to 270 days or less with a

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 4 – Cash, Cash Equivalents and Investments (Continued)

maximum allowable maturity of two years for any one investment. The investment maturities of Unexpended Plant Funds and of Funds for Retirement of Indebtedness are generally limited to the anticipated cash flow requirements of the funds.

Credit Risk - In accordance with State law and the District's Investment Policy, investments in eligible investment pools must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service and obligations of states, agencies, counties, cities and other political subdivisions of any State rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent. Financial institution deposits must be guaranteed or insured by the FDIC or its successors or the National Credit Union Share Insurance Fund or its successor, secured by obligations described by the Public Funds Collateral Act, or secured in any other manner and amount provided by law and governed by a depository agreement. At August 31, 2019, the District's certificates of deposit were collateralized by letters of credit or pledged securities and were FDIC insured. The District's investments pools had a Standard and Poor's rating of AAAM. At August 31, 2018, the District's certificates of deposit were collateralized by a letter of credit and were FDIC insured. The District's investments pools had a Standard and Poor's rating of AAAM.

Concentration of Credit Risk - The District's Investment Policy seeks to minimize its concentration of credit risk by establishing the following maximum percentages of investment types for the total District investment portfolio: U.S. Treasury Bills/Notes/Bonds 100%; U.S. Agencies and Instrumentalities 100%; States, Counties, Cities, and Other 25%; Financial Institution Deposits 100%; Money Market Mutual Funds 25%; and Eligible Investment Pools 50%. At August 31, 2019, the District's cash and investments were in TexPool (4.41%) and certificates of deposit (60.96%). At August 31, 2018, the District's cash and investments were in TexPool (4.77%) and certificates of deposit (39.95%).

The Texas Local Government Investment Pools (the "TexPool Portfolios") have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight responsibility is demonstrated by financial interdependency, ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in the TexPool portfolios and other persons who do not have a business relationship with TexPool. The Advisory Board members review the TexPool's investments policy and management fee structure.

TexPool investments are stated at amortized cost, which in most cases approximates the market value of the securities. TexPool seeks to maintain a \$1.00 net asset value per share as required by the Texas Public Funds Investment Act; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas. Accordingly, the fair value of the District's position in TexPool is the same value as the value of TexPool shares. The District reports investments in TexPool as cash and cash equivalents.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2019, was as follows:

	Balance September 1, 2018	Increases	Decreases	Balance August 31, 2019
<u>Not Depreciated:</u>				
Land	\$ 32,487,642	\$ -	\$ -	\$ 32,487,642
Collections	64,589	3,945	-	68,534
Construction in progress	1,918,370	927,184	2,460,062	385,492
Subtotal	<u>34,470,601</u>	<u>931,129</u>	<u>2,460,062</u>	<u>32,941,668</u>
<u>Buildings and Other Capital Assets:</u>				
Buildings	308,477,318	1,856,878	-	310,334,196
Land improvements	<u>45,333,099</u>	<u>495,184</u>	-	<u>45,828,283</u>
Total Buildings and Other Land Improvements	353,810,417	2,352,062	-	356,162,479
Library books	6,082,692	258,809	3,120	6,338,381
Furniture, machinery, vehicles, and other equipment	41,363,196	5,080,438	706,782	45,736,852
Telecommunications and peripheral equipment	<u>6,082,170</u>	<u>6,494</u>	<u>560,865</u>	<u>5,527,799</u>
Total Buildings and Other Capital	<u>407,338,475</u>	<u>7,697,803</u>	<u>1,270,767</u>	<u>413,765,511</u>
<u>Accumulated Depreciation:</u>				
Buildings	44,295,734	5,671,293	-	49,967,027
Land improvements	13,432,423	2,098,161	-	15,530,584
Library books	4,255,693	233,793	3,120	4,486,366
Furniture, machinery, vehicles, and other equipment	22,189,453	4,003,650	699,145	25,493,958
Telecommunications and peripheral equipment	<u>6,075,086</u>	<u>2,213</u>	<u>560,865</u>	<u>5,516,434</u>
Total Accumulated Depreciation	<u>90,248,389</u>	<u>12,009,110</u>	<u>1,263,130</u>	<u>100,994,369</u>
Net Buildings and Other Capital Assets	<u>317,090,086</u>	<u>(4,311,307)</u>	<u>7,637</u>	<u>312,771,142</u>
Total Capital Assets, Net	\$ 351,560,687	\$ (3,380,178)	\$ 2,467,699	\$ 345,712,810
<u>Net Buildings and Other Capital Assets-Detail</u>				
Buildings	\$ 264,181,584	\$ (3,814,415)	\$ -	\$ 260,367,169
Land improvements	31,900,676	(1,602,977)	-	30,297,699
Library books	1,826,999	25,016	-	1,852,015
Furniture, machinery, vehicles, and other equipment	19,173,743	1,076,789	7,637	20,242,895
Telecommunications and peripheral equipment	<u>7,084</u>	<u>4,281</u>	-	<u>11,365</u>
Total Net Buildings and Other Capital Assets	\$ 317,090,086	\$ (4,311,306)	\$ 7,637	\$ 312,771,143

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 5 – Capital Assets (Continued)

Construction in progress, including capitalized interest of \$1,152 consists of the following:

Project	Balance September 1, 2018	Additions/ Deductions	Completed/ Reclassifications	Balance August 31, 2019
Pecan Athletic Field Fence Enclosure	\$ 1,500	\$ 2,070	\$ -	\$ 3,570
Pecan Building D Renovation	-	236,674	236,674	-
Pecan Cooling Towers Screen Upgrades	-	13,198	-	13,198
Pecan Sand Volleyball Courts	-	94,487	-	94,487
Pecan Building H Cafeteria Renovation	-	40,782	-	40,782
Pecan Building M Office and Work Space Renovation	-	23,514	-	23,514
Pecan Plaza Emergency Generator & Wiring Improvements	239,291	(10,200)	229,091	-
Pecan Plaza Building C Test Site Renovation	1,000	(1,000)	-	-
Nursing Allied Health Student Services Renovation	-	831	-	831
Nursing Allied Health Student Success Center Renovation	1,260	161,994	-	163,254
Nursing Allied Health Expansion (Bond 2015)	-	2,215	2,215	-
Nursing Allied Health Additional Thermal Plant (Bond 2015)	-	4,440	4,440	-
Mid Valley Library Repurpose	-	3,350	3,350	-
Mid Valley Thermal Plant Renovation	-	1,493	-	1,493
Mid Valley Student Services Renovation	-	3,675	-	3,675
Starr Building E & J Crisis Management Center Generators	286,845	30,094	316,939	-
Starr Health Professions and Science Building (Bond 2015)	-	2,750	2,750	-
Starr Thermal Plant (Bond 2015)	-	10,100	10,100	-
RCPSE Parking & Sitework	-	200,348	200,348	-
RCPSE Training Facility	-	169,006	169,006	-
RCPSE Training Facility (PSJA ISD)	31,885	61,425	93,310	-
RCPSE Target Range _ STC	-	1,985	-	1,985
RCPSE Target Range _ Grant	-	5,954	-	5,954
RCPSE Portables	-	13,521	-	13,521
New Construction Accrual	959,962	(959,962)	-	-
Bond 2014 Pecan Campus	-	34,783	34,783	-
Bond 2014 Nursing Allied Health Campus	-	12,079	12,079	-
Bond 2014 Nursing Allied Health Campus Additional Thermal	-	1,939	1,939	-
Bond 2014 Nursing Allied Health Campus Addt'l Thermal Parking	-	126	126	-
Bond 2014 Technology Campus	-	6,818	6,818	-
Bond 2014 Mid Valley Campus	113,976	143,673	257,649	-
Bond 2014 Starr Campus	-	22,467	22,467	-
Bond 2014 Regional Center for Public Safety Excellence	278,589	(86,262)	192,327	-
Bond 2014 La Joya Jimmy Carter Teaching Site	-	766	766	-
Pecan Arbor Brick Columns Repair and Replacement	-	832	-	832
Nursing Allied Health Resurface Parking Lot #1	-	9,094	-	9,094
Tech Building B Domestic / Fire Sprinkler Lines	4,062	658,823	662,885	-
Tech Building B Concrete Floor Repairs	-	3,039	-	3,039
DW Marker Boards Replacement	-	6,263	-	6,263
Total	\$ 1,918,370	\$ 927,184	\$ 2,460,062	\$ 385,492

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 5 – Capital Assets (Continued)

For comparison purposes, capital assets activity for the year ended August 31, 2018, was as follows:

	Balance September 1, 2017	Increases	Decreases	Balance August 31, 2018
<u>Not Depreciated:</u>				
Land	\$ 32,487,642	\$ -	\$ -	\$ 32,487,642
Collections	56,515	8,074	-	64,589
Construction in progress	<u>87,766,957</u>	45,404,788	131,253,375	1,918,370
Subtotal	<u>120,311,114</u>	45,412,862	131,253,375	34,470,601
<u>Buildings and Other Capital Assets:</u>				
Buildings	192,668,030	116,803,612	994,324	308,477,318
Land improvements	<u>30,911,336</u>	14,421,763	-	45,333,099
Total Buildings and Other Land Improvements	223,579,366	131,225,375	994,324	353,810,417
Library books	5,892,361	225,004	34,673	6,082,692
Furniture, machinery, vehicles, and other equipment	33,569,089	8,441,858	647,751	41,363,196
Telecommunications and peripheral equipment	<u>6,254,579</u>	-	172,409	6,082,170
Total Buildings and Other Capital	<u>269,295,395</u>	139,892,237	1,849,157	407,338,475
<u>Accumulated Depreciation:</u>				
Buildings	39,850,186	4,673,197	227,649	44,295,734
Land improvements	11,796,760	1,635,663	-	13,432,423
Library books	4,072,724	217,642	34,673	4,255,693
Furniture, machinery, vehicles, and other equipment	19,453,287	3,375,918	639,752	22,189,453
Telecommunications and peripheral equipment	<u>6,243,428</u>	4,067	172,409	6,075,086
Total Accumulated Depreciation	<u>81,416,385</u>	9,906,487	1,074,483	90,248,389
Net Buildings and Other Capital Assets	<u>187,879,010</u>	129,985,750	774,674	317,090,086
Total Capital Assets, Net	<u>\$ 308,190,124</u>	<u>\$ 175,398,612</u>	<u>\$ 132,028,049</u>	<u>\$ 351,560,687</u>
<u>Net Buildings and Other Capital Assets-Detail</u>				
Buildings	\$ 152,817,844	\$ 112,130,415	\$ 766,675	\$ 264,181,584
Land improvements	19,114,576	12,786,100	-	31,900,676
Library books	1,819,637	7,362	-	1,826,999
Furniture, machinery, vehicles, and other equipment	14,115,802	5,065,940	7,999	19,173,743
Telecommunications and peripheral equipment	<u>11,151</u>	(4,067)	-	7,084
Total Net Buildings and Other Capital Assets	<u>\$ 187,879,010</u>	<u>\$ 129,985,750</u>	<u>\$ 774,674</u>	<u>\$ 317,090,086</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 5 – Capital Assets (Continued)

Construction in progress as of August 31, 2018, including capitalized interest of \$2,436,721, consists of the following:

Project	Balance September 1, 2017	Additions/ Deductions	Completed/ Reclassifications	Balance August 31, 2018
Pecan Athletic Field Fence Enclosure	\$ -	\$ 1,500	\$ -	\$ 1,500
Pecan Plaza Emergency Generator & Wiring Improvements	48,231	191,060	-	239,291
Pecan Plaza Area for Police Vehicles	-	220	220	-
Pecan Plaza Building C Test Site Renovation	-	1,000	-	1,000
Nursing Allied Health Thermal Plant	1,994,061	(1,961,615)	32,446	-
Nursing Allied Health Thermal Plant Parking & Sitework	40,153	(7,706)	32,447	-
Nursing Allied Health Parking and Site Improvements	-	721,996	721,996	-
Nursing Allied Health Student Success Center Renovation	-	1,260	-	1,260
Mid Valley Thermal Plant Alternate	367,170	(367,170)	-	-
Mid Valley Library Repurpose	436,843	839,032	1,275,875	-
Starr Crisis Management Center	28,200	258,645	-	286,845
Starr Thermal Alternate	295,253	(295,253)	-	-
Regional Center for Public Safety Excellence Parking	173,491	(173,240)	251	-
Regional Center for Public Safety Excellence (PSJA ISD)	-	657,728	625,843	31,885
La Joya Jimmy Carter Teaching Site	11,857	(11,857)	-	-
New Construction Accrual	10,545	949,417	-	959,962
Bond 2014 Pecan Campus	33,794,218	8,727,932	42,522,150	-
Bond 2014 Nursing Allied Health Campus	15,245,199	5,370,339	20,615,538	-
Bond 2014 Nursing Allied Health Campus Additional Thermal Plant	188,118	3,213,527	3,401,645	-
Bond 2014 Nursing Allied Health Campus Add'l Thermal Parking	-	270,007	270,007	-
Bond 2014 Technology Campus	506,665	314,149	820,814	-
Bond 2014 Mid Valley Campus	16,876,448	10,879,509	27,641,981	113,976
Bond 2014 Starr Campus	15,932,359	9,844,128	25,776,487	-
Bond 2014 Regional Center for Public Safety Excellence	621,435	5,741,753	6,084,599	278,589
Bond 2014 La Joya Jimmy Carter Teaching Site	1,003,114	427,962	1,431,076	-
Bond Accrual	193,597	(193,597)	-	-
Tech Building B Domestic/Fire Sprinkler Lines	-	4,062	-	4,062
Total	\$ 87,766,957	\$ 45,404,788	\$ 131,253,375	\$ 1,918,370

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 6 – Long Term Liabilities

Long-term liabilities activity for the year ended August 31, 2019, was as follows:

	Balance September 1, 2018	Additions	Reductions	Balance August 31, 2019	Current Portion
Bonds					
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 380,000	\$ -	\$ 380,000	\$ -	\$ -
South Texas College District Limited Tax Refunding Bonds, Series 2010	370,000	-	370,000	-	-
South Texas College District Limited Tax Bonds, Series 2014	53,750,000	-	2,275,000	51,475,000	2,385,000
South Texas College District Limited Tax Bonds, Series 2015	88,565,000	-	3,930,000	84,635,000	4,910,000
General Obligation Bonds Subtotal	143,065,000	-	6,955,000	136,110,000	7,295,000
Net Pension Liability	26,614,054	27,246,774	3,106,314	50,754,514	-
Other Post Employment Benefits (OPEB)	13,234,872	99,338,846	21,965,253	90,608,465	1,332,834
Lease Liability	1,370,532	-	68,527	1,302,005	68,527
Accrued Compensable Absences	873,805	264,060	65,510	1,072,355	910,507
Total Liabilities	\$ 185,158,263	\$ 126,849,680	\$ 32,160,604	\$ 279,847,339	\$ 9,606,868
Bonds Detail					
Total Bonds Payable	\$ 143,065,000	\$ -	\$ 6,955,000	\$ 136,110,000	\$ 7,295,000
Premium on Bonds Payable	13,767,917	-	1,065,028	12,702,889	814,737
Total Bonds Payable, Net	\$ 156,832,917	\$ -	\$ 8,020,028	\$ 148,812,889	\$ 8,109,737
Less Bonds Payable - Current Portion				(8,109,737)	
Total Noncurrent Bonds Payable, Net				\$ 140,703,152	

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 6 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond insurance costs and deferred loss for the year ended August 31, 2019, on the above bond issues are as follows:

	<u>Deferred Bond Issuance Cost</u>	<u>Bond Premium</u>	<u>Deferred Loss</u>
South Texas College District Limited Tax Bonds, Series 2014	\$ -	\$ 4,993,580	\$ -
South Texas College District Limited Tax Bonds, Series 2015	<u>-</u>	<u>7,709,309</u>	<u>-</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 12,702,889</u></u>	<u><u>\$ -</u></u>

Arbitrage

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2019, the District did not have a liability.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 6 – Long Term Liabilities (Continued)

For comparison purposes, the long-term liabilities activity for the year ended August 31, 2018, was as follows:

	Balance September 1, 2017	Additions	Reductions	Balance August 31, 2018	Current Portion
Bonds					
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 745,000	\$ -	\$ 365,000	\$ 380,000	\$ 380,000
South Texas College District Limited Tax Refunding Bonds, Series 2007	6,380,000	-	6,380,000	-	-
South Texas College District Limited Tax Refunding Bonds, Series 2010	2,445,000	-	2,075,000	370,000	370,000
South Texas College District Limited Tax Bonds, Series 2014	53,750,000	-	-	53,750,000	2,275,000
South Texas College District Limited Tax Bonds, Series 2015	89,175,000	-	610,000	88,565,000	3,930,000
General Obligation Bonds Subtotal	152,495,000	-	9,430,000	143,065,000	6,955,000
Net Pension Liability	29,641,935	5,265	3,033,146	26,614,054	-
Other Post Employment Benefits	-	17,184,130	3,949,258	13,234,872	-
Lease Liability	-	1,370,532	-	1,370,532	68,527
Accrued Compensable Absences	913,166	35,800	75,161	873,805	720,674
Total Liabilities	\$ 183,050,101	\$ 18,595,727	\$ 16,487,565	\$ 185,158,263	\$ 7,744,201
Bonds Detail					
Total Bonds Payable	\$ 152,495,000	\$ -	\$ 9,430,000	\$ 143,065,000	\$ 6,955,000
Premium on Bonds Payable	15,037,403	-	1,269,486	13,767,917	1,065,028
Total Bonds Payable, Net	\$ 167,532,403	\$ -	\$ 10,699,486	\$ 156,832,917	\$ 8,020,028
Less Bonds Payable - Current Portion				(8,020,028)	
Total Noncurrent Bonds Payable, Net				\$ 148,812,889	

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 6 – Long Term Liabilities (Continued)

Unamortized bond discount/premium, bond issue costs and deferred loss for the year ended August 31, 2018, on the above bond issues are as follows:

	<u>Deferred Bond Issuance Cost</u>	<u>Bond Premium</u>	<u>Deferred Loss</u>
South Texas College District Maintenance Tax Refunding Bonds, Series 2007	\$ 644	\$ 1,666	\$ 7,878
South Texas College District Limited Tax Refunding Bonds, Series 2007	-	-	-
South Texas College District Limited Tax Refunding Bonds, Series 2010	-	248,625	157,751
South Texas College District Limited Tax Bonds, Series 2014	-	5,326,486	-
South Texas College District Limited Tax Bonds, Series 2015	-	8,191,140	-
Total	<u><u>\$ 644</u></u>	<u><u>\$ 13,767,917</u></u>	<u><u>\$ 165,629</u></u>

Arbitrage

IRS rules governing arbitrage are designed to minimize arbitrage benefits by investing the proceeds of tax-exempt bonds in higher interest rate investments. Any excess earnings resulting from arbitrage must be rebated to the federal government. The District calculates arbitrage at the end of each five-year period that bonds are outstanding and at maturity. At August 31, 2018, the District did not have a liability.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 7 – Debt and Lease Obligations and Rental Agreements

As of August 31, 2019, bonds payable are due in annual installments varying from \$2,385,000 to \$6,455,000 with interest rates from 3.0% to 5.0% and the final installment due in 2035. The principal and interest expense requirement for the next five years and beyond is summarized below for bonds issued:

<u>Fiscal Year</u>	General Obligation Bond		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,295,000	\$ 6,433,356	\$ 13,728,356
2021	7,660,000	6,068,606	13,728,606
2022	7,940,000	5,788,706	13,728,706
2023	8,225,000	5,497,906	13,722,906
2024	8,530,000	5,195,956	13,725,956
2025-2029	39,665,000	20,074,031	59,739,031
2030-2034	50,340,000	9,410,750	59,750,750
2035	6,455,000	322,750	6,777,750
Total	<u>\$ 136,110,000</u>	<u>\$ 58,792,061</u>	<u>\$ 194,902,061</u>

For comparison purposes, as of August 31, 2018, bonds payable were due in annual installments varying from \$370,000 to \$6,455,000 with interest rates from 3.0% to 5.0% and the final installment due in 2035. The principal and interest expense requirements for the next five years and beyond are summarized below for bonds issued:

<u>Fiscal Year</u>	General Obligation Bond		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,955,000	\$ 6,771,756	\$ 13,726,756
2020	7,295,000	6,433,356	13,728,356
2021	7,660,000	6,068,606	13,728,606
2022	7,940,000	5,788,706	13,728,706
2023	8,225,000	5,497,906	13,722,906
2024-2028	39,470,000	22,047,531	61,517,531
2029-2033	47,985,000	11,756,456	59,741,456
2034-2035	17,535,000	1,199,500	18,734,500
Total	<u>\$ 143,065,000</u>	<u>\$ 65,563,817</u>	<u>\$ 208,628,817</u>

Included in current expenditures are the following amounts of facility rental paid or due:

<u>Fund Group</u>	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Unrestricted Current Funds	<u>\$ 442,276</u>	<u>\$ 482,740</u>

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 7 – Debt and Lease Obligations and Rental Agreements (Continued)

The District leases postage and copier equipment under non-cancelable operating leases. The future minimum lease rental payments under these leases having an initial term in excess of one year are as follows:

<u>Year Ended</u>	<u>August 31, 2019 Minimum Future Lease Payments</u>	<u>August 31, 2018 Minimum Future Lease Payments</u>
2019	\$ -	\$ 280,246
2020	248,218	199,683
2021	121,600	72,540
2022	50,715	24,850
2023	3,220	-
Total	<u>\$ 423,753</u>	<u>\$ 577,319</u>

During fiscal year 2019, the District did not enter into any lease agreements. No future receipts are expected for fiscal years 2020 and 2021.

Note 8 – Bonds Payable

General Information related to bonds payable and balances at August 31, are summarized below

	<u>2019</u>	<u>2018</u>
\$2,985,000 South Texas College District Maintenance Tax Refunding Bonds, Series 2007 due in varying installments through 2019, interest at 4.0%.		
Purpose: To advance refund a portion of the District's Bonds Series 1999, in order to lower the overall annual debt service requirements of the District, and to pay for the costs of issuance of the bonds.		
Issued: March 29, 2007		
Authorized: \$5,200,000; \$2,940,000 Current Interest Bonds and \$2,985,000		
Source of revenue for debt service: Ad-valorem taxes	\$ -	\$ 380,000

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 8 – Bonds Payable (Continued)

	2019	2018
<p>\$19,550,011 South Texas Junior College District Limited Tax Refunding Bonds, Series 2010 due in varying installments through 2019, interest at 3.0% - 5.6%. Purpose: To advance refund a portion of the District’s Bonds, Series 2002 and 2003 in order to lower the overall annual debt service requirements of the District, and to pay for the cost of issuance of the bonds. Issued: November 18, 2010 Authorized: \$71,230,000 for Series 2002; \$37,620,000 Current Interest Bonds \$23,589,991 and \$9,726,028 refunded Authorized: \$22,845,000 for Series 2003; \$13,305,000 Current Interest Bonds and \$9,823,983 refunded Source of revenue for debt service: Ad-valorem taxes</p>	-	370,000
<p>\$53,750,000 South Texas College District Limited Tax Bonds, Series 2014 due in varying installments through 2034, interest at 5.0%. Purpose: Construction and equipping of College buildings to accommodate increased student enrollment and to pay for the cost of issuance of the bonds. Issued: February 26, 2014 Authorized Date: November 5, 2013 Authorized: \$159,028,940; \$53,750,000 issued Source of revenue for debt service: Ad-valorem taxes</p>	51,475,000	53,750,000
<p>\$90,220,000 South Texas College District Limited Tax Bonds, Series 2015 due in varying installments through 2035, interest at 2.0% - 5.0%. Purpose: Construction and equipping of College buildings to accommodate increased student enrollment and to pay for the cost of issuance of the bonds. Issued: July 21, 2015 Authorized Date: November 5, 2013 Authorized: \$159,028,940; \$90,220,000 issued Source of revenue for debt service: Ad-valorem taxes</p>	84,635,000	88,565,000
Total Bonds Payable	\$ 136,110,000	\$ 143,065,000

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 9 – Employees’ Retirement Plan

The State of Texas has joint contributory retirement plans for almost all its employees.

Teacher Retirement System of Texas - Defined Benefit Plan

A. Plan Description

South Texas College District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The TRS’ defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension’s Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, whose formulas use the three highest annual salaries. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description in above.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 9 – Employees’ Retirement Plan (Continued)

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85th Texas Legislature, General Appropriations Act (GAA), established the employer contribution rates for fiscal years 2018 and 2019.

	<u>Contribution Rates</u>	
	<u>FY 2019</u>	<u>FY 2018</u>
Member	7.7%	7.7%
District/Non-Employer Contributing Entity (State)	6.8%	6.8%
FY 2018 Member contributions		\$ 5,984,954
FY 2018 District contributions		\$ 3,106,315
FY 2018 State contributions		\$ 2,177,354

The District’s estimated contribution to the TRS pension plan in fiscal year ended 2019 were \$3,561,522 as reported in the Schedule of District Contribution in the Required Supplementary Information section of these financial statements. Estimated State of Texas on behalf contributions for fiscal year ended 2019 were \$2,165,220.

- As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior colleges or junior colleges are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any part or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 9 – Employees’ Retirement Plan (Continued)

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

E. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return*	7.25%
Municipal Bond Rate*	3.69%*
Last year ending August 31	
Projection period (100 years)	2116
Inflation	2.30%
Payroll Growth Rate	2.5%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	
Ad hoc post-employment benefit changes	None

** The source for the Municipal Bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index”.*

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system’s actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ended August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior period’s report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 9 – Employees’ Retirement Plan (Continued)

- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 % as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 9 – Employees’ Retirement Plan (Continued)

Best estimates of geometric real rates of return for each major asset class included in the TRS’s target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long Term Expected Geometric Real Rate of Return	Expected Contribution to Long Term Portfolio Returns**
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
Total	100.00%		7.25%

*Target allocations are based on the FY2016 policy model.

**The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Source: Teacher Retirement System of Texas 2018 Comprehensive Annual Financial Report

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 9 – Employees’ Retirement Plan (Continued)

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 net pension liability.

	1% Decrease in Discount Rate (5.90%)	Discount Rate (6.90%)	1% Increase in Discount Rate (7.90%)
District’s proportionate share of the net pension liability:	\$ 76,600,732	\$ 50,754,514	\$ 29,830,467

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At August 31, 2019, and 2018, the District reported a liability of \$50,754,514 and \$26,614,054, respectively, for its proportionate share of the TRS’ net pension liability. This liability reflects a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District at August 31, 2019 and 2018 are as follows:

	FY 2019	FY 2018
The District’s proportionate share of the collective net pension liability	\$ 50,754,514	\$ 26,614,054
State’s proportionate share that is associated with the District	35,598,251	19,727,818
Total	\$ 86,352,765	\$ 46,341,872

The net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At the measurement date of August 31, 2018, the District’s proportion of the collective net pension liability was 0.0922098804%, which was an increase of 0.0089749% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019, the District recognized pension expense of \$3,523,278 and revenue of \$3,523,278 for support provided by the State.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 9 – Employees’ Retirement Plan (Continued)

At August 31, 2019 and 2018, the District reported its proportionate share of the TRS’ deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FY 2019</u>		<u>FY 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 316,362	\$ 1,245,315	\$ 389,376	\$ 1,435,261
Changes in actuarial assumption	18,299,447	571,858	1,212,312	694,021
Difference between projected and actual investment earnings, net	-	963,030	-	1,939,575
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	3,922,993	939,081	1,546,241	1,262,910
Contributions paid to TRS subsequent to the measurement date	<u>3,561,522</u>	<u>-</u>	<u>3,146,914</u>	<u>-</u>
Total	<u>\$ 26,100,324</u>	<u>\$ 3,719,284</u>	<u>\$ 6,294,843</u>	<u>\$ 5,331,767</u>

The net amounts of the District’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

<u>Year ended August 31:</u>	<u>Increase (Reduction) of Pension Expense</u>
2020	\$ 4,470,733
2021	2,444,121
2022	2,028,823
2023	3,872,365
2024	3,688,950
Thereafter	2,314,524

The District is dependent upon information provided by the TRS Plan for recognizing the Pension liability, deferred inflows and deferred outflows of resources, and expenses. Future changes, if any, to the current methodology or actuarial assumptions being utilized, could result in significant changes in accounting and financial reporting in future periods.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 9 – Employees’ Retirement Plan (Continued)

Optional Retirement Plan-Defined Contribution Plan

A. Plan Description

Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The optional retirement program provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

B. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas Legislature. The percentages of participant salaries currently contributed by the state are 6.6% for fiscal years 2019, 2018, and 2017. The percentages of participant salaries currently contributed by each participant are 6.65% for fiscal years 2019, 2018, and 2017. The District contributes 1.9% for fiscal years 2019, 2018 and 2017, for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. S.B. 1812, effective September 1, 2013, limits the amount of the state’s contribution of 50% of eligible employees in the reporting district.

Payroll for Retirement Plans

Total payroll for the District and for employees covered by each retirement plan, associated District contributions for ORP, State contributions made on behalf of the District for ORP and member contributions for ORP were as follows:

	August 31, 2019	August 31, 2018	August 31, 2017
Payroll for all district employees	<u>\$ 101,639,000</u>	<u>\$ 96,842,453</u>	<u>\$ 88,389,546</u>
Total payroll for TRS	<u>83,315,698</u>	<u>77,726,679</u>	<u>69,206,093</u>
Total payroll for ORP	<u>12,171,958</u>	<u>12,524,692</u>	<u>12,378,137</u>
State contributions	390,048	401,452	398,078
District contributions	<u>426,329</u>	<u>438,006</u>	<u>436,098</u>
Total Contributions	<u>\$ 816,377</u>	<u>\$ 839,458</u>	<u>\$ 834,176</u>
Member contributions	<u>\$ 809,436</u>	<u>\$ 832,893</u>	<u>\$ 832,147</u>

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 10 – Deferred Compensation Program

District employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

As of August 31, 2019, the District has 95 employees participating in Section 403(b) Tax Sheltered Annuity (TSA) Program and 100 participated in 2018. A total of \$594,340 and \$547,458 in payroll deductions have been invested in approved 403(b) plans during the fiscal years 2019 and 2018, respectively.

As of August 31, 2019, the District has 73 employees participating in Section 457 Deferred Compensation Plans (DCP) and 75 participated in 2018. A total of \$251,903 and \$246,822 in payroll deductions have been invested in Section 457 Deferred Compensation Plan (DCP) during the fiscal years 2019 and 2018, respectively.

The deferred compensation program is not included in the basic financial statements because the program assets are assets of the plan participants and not of the District.

Note 11 – Compensable Absences

With the exception of faculty members who have appointments of less than 12 months, all full-time benefit eligible employees accrue vacation leave time at the rate of 8 hours per month. Less than full-time employees accrue vacation on a pro-rated basis.

All hours of unused accumulated vacation leave, except as authorized by the Board of Trustees, must be used by March 1, following the fiscal year in which it was accumulated. Any vacation leave not used by that date is forfeited. A time extension may be requested from the District’s President for extenuating circumstances. The Board has made an exception to these guidelines and the associated cost is included in the long-term portion. Full-time benefit eligible employees are expected to utilize accrued vacation leave prior to their separation from the District. However, the employee will be compensated for accrued vacation leave if the leave is not taken prior to separation.

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Compensable absences-beginning	\$ 873,805	\$ 913,166
Net additions and reductions	198,550	(39,361)
Total Compensable Absences	\$ 1,072,355	\$ 873,805
Current portion	\$ 910,507	\$ 720,674

Sick leave, which can be accumulated up to 720 hours, is earned at the rate of 8 hours per month. It is paid to an employee who misses work under the criteria of board-approved guidelines for sick leave. Sick leave does not vest; therefore, no liability is recorded. Employees retiring under the Texas Retirement System (TRS) after September 1, 2001, may have the option to use accrued sick leave towards years of service credit under TRS rules.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 12 – Other Post-Employment Benefits (OPEB)

(In accordance with GASB Statement 75)

A. Plan Description

South Texas College District participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

B. OPEB Plan Fiduciary Net Position

Detailed information about the GBP's fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the Internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18th Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

C. Benefits Provided

Retiree health benefits offered through the GBP are available to most State of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical benefit option for Medicare-primary participants under the HealthSelect Medicare Advantage Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which the obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

D. Contributions

Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs with the revenue expected to be generated by the appropriated funds.

The following table summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution
Retiree Health and Basic Life Premium

	FY 2018	FY 2017
Retiree Only	\$ 622	\$ 617
Retiree and Spouse	1,335	971
Retiree and Children	1,099	854
Retiree and Family	1,812	1,208

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Premium Contributions by Source
Group Benefits Program Plan

	FY 2019	FY 2018
Member (Employee) Contributions	\$ 3,340,763	\$ 3,821,722
District Contributions	8,881,037	364,049
State of Texas (NECE) Contributions	5,520,405	313,508

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions
ERS Group Benefits Program Plan

Valuation date	August 31, 2018
Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	Not Applicable
Discount rate	3.96%
Projected annual salary increase (includes inflation)	2.50% to 9.50%
Annual healthcare trend rate	7.30% for FY 2020, 7.40% for FY 2021, 7.00% for FY 2022, decreasing 0.50% per year to 4.50% for 2027 and later years
Inflation assumption rate	2.50%
Ad hoc postemployment benefit changes	None
Mortality assumptions:	
Service retirees, survivors and other inactive members	Tables based on TRS experience with Ultimate MP Projection Scale projected from the year 2018.
Disability retirees	Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active members	Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period September 1, 2010 to August 31, 2014 for higher education members.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

F. Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System’s Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

G. Discount Rate

Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of 0.45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp’s AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go (PAYGO) basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

H. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the District’s proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that was used (3.96%) in measuring the net OPEB Liability.

	1% Decrease in Discount Rate (2.96%)	Discount Rate (3.96%)	1% Increase in Discount Rate (4.96%)
District’s proportionate share of the net OPEB liability:	\$ 107,573,341	\$ 90,608,465	\$ 77,767,979

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

I. Healthcare Trend Rate Sensitivity Analysis

The initial healthcare trend rate is 7.3% and the ultimate rate is 4.5%. The following schedule shows the impact on the District’s proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1% less than and 1% greater than the healthcare cost trend rate that was used (4.5%) in measuring the net OPEB Liability.

	1% Decrease in Healthcare Cost Trend Rates (6.3% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7.3% decreasing to 4.5%)	1% Increase in Healthcare Cost Trend Rates (8.3% decreasing to 5.5%)
District’s proportionate share of the net OPEB liability:	\$ 76,733,667	\$ 90,608,465	\$ 108,507,010

J. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2019, and 2018 the District’s reported a liability of \$90,608,465 and \$13,234,872 for its proportionate share of the ERS’s net OPEB liability. This liability reflects a reduction for State support provided to the District for OPEB. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability associated with the District were as follows:

	FY 2019	FY 2018
The District’s proportionate share of the collective OPEB liability	\$ 90,608,465	\$ 13,234,872
State’s proportionate share that is associated with the District	56,321,731	11,397,449
Total	\$ 146,930,196	\$ 24,632,321

The net OPEB liability was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017, thru August 31, 2018.

At the measurement date of August 31, 2018, the employer’s proportion of the collective net OPEB liability was 0.30571986%, which was an increase of 0.26687718% from its proportion measured as of August 31, 2017.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

For the year ended August 31, 2019, the District recognized OPEB expense of \$334,811 and revenue of \$334,811 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Additional demographic assumptions (aggregate payroll increases and rate of general inflation) to reflect an experience study;
- The percentage of current and future retirees and retirees' spouses not yet eligible to participate in the HealthSelect Medicare Advantage plan who will elect to participate at the earliest date at which coverage can commence has been updated to reflect recent plan experience and expected trends;
- Assumptions for administrative expenses, assumed per Capita Health Benefit Costs, Health Benefit Cost and Retiree Contribution trends to reflect recent health plan experience;
- Effects in short-term expectations and revised assumed rate of general inflation.

Changes of Benefit Terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket cost applicable to services obtained at a free-standing emergency facility;
- An elimination of the copayment for virtual visits;
- A copay reduction for Airrosti and for out-of-state participants;
- Elimination of the deductible for in-network services and application of a copayment rather than coinsurance to certain services like primary care and specialist visits.

These minor benefit changes have been reflected in the fiscal year 2018 Assumed Per Capita Health Benefit Costs.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

At August 31, 2019 and 2018, the District reported its proportionate share of the ERS plan’s collective deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>FY 2019</u>		<u>FY 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 2,226,878	\$ -	\$ 159,041
Changes in actuarial assumption	91,317,002	12,738,663	-	2,767,254
Difference between projected and actual investment earnings	15,985	-	3,918	-
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions, net	-	20,675,384	-	-
Contributions paid to ERS subsequent to the measurement date	<u>163,189</u>	<u>-</u>	<u>419,711</u>	<u>-</u>
Total	<u>\$ 91,496,176</u>	<u>\$ 35,640,925</u>	<u>\$ 423,629</u>	<u>\$ 2,926,295</u>

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended August 31:</u>	<u>Increase (Reduction) of OPEB Expense</u>
2020	\$ 10,802,170
2021	10,802,170
2022	10,802,170
2023	13,699,402
2024	9,586,148
Thereafter	-

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 12 – Other Post-Employment Benefits (OPEB) (Continued)

The District is dependent upon information provided by the ERS Plan for recognizing the OPEB liability, deferred inflows and deferred outflows of resources, and expenses. Future changes, if any, to the current methodology or actuarial assumptions being utilized, could result in significant changes in accounting and financial reporting in future periods.

Note 13 – Pending Lawsuits and Claims

A. Litigation

On August 31, 2019, various lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District.

B. Federal and State Assisted Grant Programs

The District participates in several federal and state assisted grant programs. Although the District's grant programs have been audited in accordance with the provisions of the Uniform Guidance and the State of Texas Single Audit Circular through August 31, 2019, these programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

Note 14 – Disaggregation of Receivable and Payable Balances

Receivables

Receivables at August 31, 2019, and 2018 were as follows:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Student receivables	\$ 5,765,704	\$ 5,701,796
Federal receivables	1,672,472	1,983,881
Interest receivables	206,654	134,084
Accounts receivables		
Bookstore and auxiliary	47,329	48,660
State, local and private	702,684	667,267
Pledges receivable	46,090	41,855
Contractors	11,805	290,800
Other receivables	994,477	616,862
Subtotal	<u>9,447,215</u>	<u>9,485,205</u>
Allowance for doubtful accounts-student	<u>(4,616,841)</u>	<u>(4,576,249)</u>
Total Accounts Receivable, Net	<u>\$ 4,830,374</u>	<u>\$ 4,908,956</u>

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 14 – Disaggregation of Receivable and Payable Balances (Continued)

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Taxes receivables	\$ 13,237,895	\$ 12,996,100
Allowance for doubtful accounts-taxes	<u>(6,704,080)</u>	<u>(6,434,600)</u>
Total Taxes Receivable, Net	<u>\$ 6,533,815</u>	<u>\$ 6,561,500</u>

Student and taxes receivables may not all be collected within one year.

Payables

Payables at August 31, 2019, and 2018 were as follows:

	<u>August 31, 2019</u>		<u>August 31, 2018</u>	
	<u>Accounts Payable</u>	<u>Accrued Liabilities</u>	<u>Accounts Payable</u>	<u>Accrued Liabilities</u>
Vendor payable				
Vendors	\$ 1,321,343	\$ -	\$ 3,243,292	\$ -
Construction	1,780,137	-	1,660,905	-
Construction retainage	34,501	-	450,535	-
Salaries & benefits	-	2,960,309	-	2,558,402
Students payable	120,502	-	52,684	-
Accrued interest	-	279,711	-	294,424
Other Payables	<u>43,634</u>	<u>-</u>	<u>22,369</u>	<u>-</u>
Total Payables	<u>\$ 3,300,117</u>	<u>\$ 3,240,020</u>	<u>\$ 5,429,785</u>	<u>\$ 2,852,826</u>

Note 15 – Funds Held for Others

At August 31, 2019, and at August 31, 2018, the District held, in trust funds, amounts of \$305,917, and \$301,482, respectively that pertain primarily to student organizations. These funds are not available to support the District's programs.

Note 16 – Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). All contract and grant awards for which funds are expended, but not collected, are reported as Accounts Receivables on Exhibit 1. Contract and grant awards that are not yet funded, and for which the institution has not yet performed services, are not included in the financial statements. Contract and grant award funds already committed (e.g. multi-year awards) or funds awarded during fiscal years ended 2019 and 2018, for which monies have not been received nor funds expended totaled \$7,393,851 and \$5,033,669, respectively.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 16 – Contract and Grant Awards (Continued)

These amounts are comprised of the following:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Federal contracts and grant awards	\$ 4,664,987	\$ 2,141,903
State contracts and grant awards	1,791,174	1,661,335
Local contracts and grant awards	359,545	216,440
Private contracts and grant awards	<u>578,145</u>	<u>1,013,991</u>
Total	<u>\$ 7,393,851</u>	<u>\$ 5,033,669</u>

Note 17 – Health Care and Life Insurance Benefits

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time employee was \$624.82 per month for the year ended August 31, 2019 for United Health Select of Texas and \$619.68 per month for the year ended August 31, 2018, for the United Health Select of Texas. The state's contribution totaled \$5,731,628 for fiscal year 2019 and \$5,481,778 for fiscal year 2018.

The cost of providing those benefits for one hundred and six retirees in the year ended August 31, 2019, was \$368,973 and for eighty-nine retirees in the year ended August 31, 2018, was \$351,457. For 1,581 United Health Select of Texas active employees, the cost of providing benefits was \$5,362,655 for the year ended August 31, 2019. Active employee benefits for 1,487 United Health Select of Texas active employees cost was \$5,130,321 for the year ended August 31, 2018. S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The number of employees and retirees and associated District contributions and state contributions made on behalf of the District were as follows:

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Full time employees	1,581	1,487
Number of retirees	106	89
Active employee-state	\$ 5,362,655	\$ 5,130,321
Retiree - state	<u>368,973</u>	<u>351,457</u>
Total State Contributions	\$ 5,731,628	\$ 5,481,778
District contributions	<u>9,561,286</u>	<u>8,799,017</u>
Total Health Insurance Cost	<u>\$ 15,292,914</u>	<u>\$ 14,280,795</u>

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 18 – Ad Valorem Tax

The District's ad valorem property taxes are levied each October 1, on the assessed value listed as of the lien date, which is the prior January 1, for all real and business personal property located in the District.

	August 31, 2019	August 31, 2018
Assessed valuation of the District	\$ 50,847,373,837	\$ 48,331,824,331
Less: Exemptions	(11,863,401,015)	(11,105,231,537)
Less: Abatements	(602,139,975)	(630,444,975)
Net Assessed Valuation of the District	\$ 38,381,832,847	\$ 36,596,147,819

	Fiscal Year 2019			Fiscal Year 2018		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Authorized tax rate per \$100 valuation (maximum per enabling legislation)	\$ 0.1400	\$ 0.5000	\$ 0.6400	\$ 0.1400	\$ 0.5000	\$ 0.6400
Assessed tax rate per \$100 valuation	\$ 0.1400	\$ 0.0380	\$ 0.1780	\$ 0.1400	\$ 0.0450	\$ 0.1850

Taxes levied for the year ended August 31, 2019, and 2018 amounted to \$69,228,289 and \$68,485,532, respectively, including any penalty and interest assessed. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

The Hidalgo County Tax Assessor-Collector and the Starr County Tax Assessor-Collector are the collecting agencies for the tax levy and remit the collections to the District, net of a collection fee.

	August 31, 2019			August 31, 2018		
	Current Operations	Debt Service	Total	Current Operations	Debt Service	Total
Current taxes collected	\$50,333,667	\$13,661,997	\$63,995,664	\$48,174,149	\$15,484,568	\$63,658,717
Delinquent taxes collected	2,211,724	726,910	2,938,634	2,291,718	759,826	3,051,544
Penalties & interest collected	1,471,254	462,255	1,933,509	1,443,249	483,697	1,926,946
Total gross collections	54,016,645	14,851,162	68,867,807	51,909,116	16,728,091	68,637,207
Tax appraisal & collection fees	(918,862)	(53,208)	(972,070)	(877,276)	(56,990)	(934,266)
Bad debt expense	(230,844)	(38,636)	(269,480)	(3,048,680)	(1,051,859)	(4,100,539)
Total Net Collections	\$52,866,939	\$14,759,318	\$67,626,257	\$47,983,160	\$15,619,242	\$63,602,402

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 18 – Ad Valorem Tax (Continued)

Tax collections for the year ended August 31, 2019, and 2018, were 95.10% and 95.64%, respectively, of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted for the use of maintenance and operations and/or general obligation debt service.

Note 19 – Property Tax Abatement

The District entered into a property tax abatement agreement with Duke Energy Renewables Wind, LLC, formerly known as DEGS Wind, LLC under the Property Tax Abatement Act (Chapter 312 of Texas Tax Code). The abatement was granted for the construction of a wind farm that will provide clean power to customers, with little or no emissions impacting the environment. Duke Energy Renewables Wind, LLC project will contribute to the expansion of employment, attract major investment to Starr County, benefit the property on which it is constructed, and contribute to the economic development of Starr County. The project consists of a renewable energy wind powered electric generating facility with an estimated value of at least \$700,000,000 upon completion of the project. The operation and maintenance of this project will create four to five new fulltime jobs with full benefits. Salaries of Wind turbine technicians will exceed the minimum living wage requirements for Starr County.

For the fiscal year ended August 31, 2019, the District abated property tax revenue totaling \$842,996 due to the reduction of the county's taxable assessed value. The property tax abatement was granted for a period of ten years at a rate of eighty-five percent (85%) of the assessed maintenance and operations property tax value. Under this program, the abatement is comprised of a partial exemption from ad valorem taxes of certain added value to real and personal property in a zone designated for economic development purposes pursuant to the Act by the County of Starr.

Per Texas Tax Code 312.205, if Duke Energy Renewables Wind, LLC fails to make the improvement as provided for by this agreement, the College is entitled to cancel the agreement and recover the property tax revenue abated under this agreement through the cancellation date. Duke Energy Renewables Wind, LLC has agreed to make annual payments, in lieu of taxes in the amount of \$65,000 for each year of the tax abatement.

Note 20 – Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. The District had no unrelated business income tax liability for the year ended August 31, 2019 and 2018.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 21 – Related Parties

One member of the Board of Trustees is employed at the District's depository bank. Another member of the Board of Trustees provided professional services to other entities that conducted business with the District during fiscal year 2019.

Note 22 – Auxiliary Operations

The District currently outsources its auxiliary bookstore operations to Barnes and Noble College Booksellers, LLC. The Mid-Valley campus cafeteria operations were outsourced to Domine Catering, LLP for part of the fiscal year 2018. The Food Services Department operated the remaining of fiscal year 2018 and the entire fiscal year 2019. The Starr County campus cafeteria operations are outsourced to Cactus Restaurant from September 2018 through January 31, 2019. The site was closed from February 2019 through July 2019. On August 1, 2019, the cafeteria was leased to MUY Pizza Tejas, LLC.

Note 23 – Risk Management

The District controls risk through participation in a governmental risk management pool, the purchase of insurance from commercial insurance providers, or a combination of both. Each year, the district solicits competitive proposals from insurance providers to cover various risks such as injuries to employees; natural disasters; theft, damage or destruction of assets; errors and omissions; and injuries to persons and property. Both governmental risk pools and commercial insurance companies may respond to the solicitation. The District evaluates responses for each type of insurance and awards to the respondent who affords the best value. There has been no reduction in insurance coverage from prior year.

The more significant coverage's include \$2,000,000 and \$1,000,000 of general liability insurance for fiscal years 2019 and 2018, respectively, property insurance covering the District's buildings and properties including commercial inland marine in an aggregate amount of \$516,669,220 and \$324,709,682 for fiscal years 2019 and 2018, respectively, business income with extra expense coverage of \$34,780,355 and \$39,239,402 for fiscal years 2019 and 2018, respectively, and \$1,000,000 and \$1,000,000 in education legal and employment practices liability for fiscal years 2019 and 2018, respectively. The District's employees were covered by workers' compensation insurance in the event of work related injury or occupational disease. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The District did not maintain or operate a self-insured insurance plan for fiscal years 2019 and 2018.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 24 – Construction and Improvement Commitments

Construction and improvement commitments for August 31, 2019 were as follows:

<u>Project</u>	<u>Contracted Amount</u>	<u>Spent to Date</u>	<u>Commitments</u>
Pecan Campus	\$ 631,839	\$ 610,133	\$ 21,706
Nursing Allied Campus	260,941	241,141	19,800
Technology Campus	727,410	709,516	17,894
Mid Valley Campus	2,367,696	2,367,696	-
Starr Campus	285,493	285,493	-
District Wide	324,938	324,938	-
Pharr Site	6,387,139	6,387,139	-
Total	<u>\$ 10,985,456</u>	<u>\$ 10,926,056</u>	<u>\$ 59,400</u>

At August 31, 2019, the District had \$59,400 of remaining contractual commitments in construction and improvement projects.

Construction and improvement commitments for August 31, 2018, were as follows:

<u>Project</u>	<u>Contracted Amount</u>	<u>Spent to Date</u>	<u>Commitments</u>
Pecan Campus	\$ 36,598,566	\$ 36,598,566	\$ -
Nursing Allied Campus	21,374,479	21,374,479	-
Technology Campus	10,847,659	10,249,343	598,316
Mid Valley Campus	28,958,764	28,868,505	90,259
Starr Campus	22,358,267	22,354,267	4,000
District Wide	1,522,622	1,522,622	-
Regional Center for Public Safety Excellence	6,492,788	6,209,479	283,309
Total	<u>\$ 128,153,145</u>	<u>\$ 127,177,261</u>	<u>\$ 975,884</u>

At August 31, 2018, the District had \$975,884 of remaining contractual commitments in construction and improvement projects.

Note 25 – Deposits in Escrow

South Texas College District entered into the following infrastructure improvement escrow agreements with the City of McAllen. In fiscal year 2010, \$126,801 was deposited into an escrow account for the thirty foot portion of the Quince Avenue roadway dedication at the District's West 15 acre parking lot. As a result, the District has deposited \$126,801 into an escrow account as of August 31, 2019 and \$126,801 as of August 31, 2018.

**South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018**

Note 26 – Endowments

The District is the recipient of six endowments. By District policy, the net appreciation is earmarked for student scholarships. The amount of net appreciation on investments that was available for spending was \$9,155 and \$5,007 in fiscal years 2019 and 2018 respectively.

The endowments are presented in Restricted Non-Expendable Net Assets.

The fund balances of the endowments were as follows:

<u>Endowment</u>	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Alfredo De Los Santos Endowment	\$ 15,100	\$ 15,100
Futuro Brillante Endowment	200,100	200,100
Glen & Rita K. Roney Endowment	116,700	116,700
Martin Harvey Endowment	1,080	1,065
Roberto Gutierrez Sr. Endowment	930	917
Edwynne G. Cooper Endowment*	5,590	5,590
Total Endowments	<u>\$ 339,500</u>	<u>\$ 339,472</u>

*Endowment investment consists of a donated coin collection.

In fiscal year 2012, the District’s Board of Trustees accepted the Mission Economic Development Authority (MEDA) Scholarship Fund Endowment. The MEDA deposited \$3,151,875 into the MEDA Scholarship Fund Trust for the purpose of awarding and distributing scholarships to students of South Texas College District who reside in the City of Mission, Texas, and/or to establish educational facility(ies) within the City of Mission, Texas. Edward Jones Trust Company will serve as the initial sole trustee. South Texas College District, as the Trust’s initial sole beneficiary, will receive, each fiscal year of the Trust, distributions not to exceed an amount equal to the greater of the following: 1) the net income of the Trust; and 2) 5% of the fair market value of the undistributed income and corpus of the Trust as of the last day of the Trust’s previous fiscal year. At August 31, 2019, the market value of the Trust was \$3,701,055. The Trust made a distribution to the District in the amount of \$174,239 in fiscal year 2019. At August 31, 2018, the market value of the Trust was \$3,794,720. The Trust made a distribution to the District in the amount of \$193,928 in fiscal year 2018. The funds are presented in Restricted Expendable Net Assets.

Note 27 – Pledges of Gifts

The District records pledges of gifts when an unconditional promise to pay is received. At August 31, 2019, pledges receivable totaled \$46,090 which consisted of non-cash gifts of \$35,090 and \$11,000 in cash gifts. At August 31, 2018 pledges receivable totaled \$41,855. Pledges receivable are recorded on the statement of financial position as assets net of allowance for uncollectible accounts.

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

Note 28 – Recent Accounting Pronouncements – Governmental Accounting Standards Board

New Pronouncements

In November 2016, GASB issued Statement No. 83 *Certain Asset Retirement Obligation*. The Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred and requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. In addition, this statement requires the current value of a government's ARO to be adjusted for the effects of general inflation or deflation, at least annually, and requires a government to evaluate all relevant factors, at least annually, to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. In cases where governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities, this statement requires disclosure of how those funding and assurance requirements are being met, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement was determined to have no effect on the District's financial statements.

In January 2017, GASB issued Statement No. 84 *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for a recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement was determined to have no effect on the District's financial statements.

In April 2018, GASB issued Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement is designed to improve consistency in the information that is disclosed in notes to financial statements related to debt, including direct borrowings (such as entering into a loan agreement with a lender) and direct placements (such as issuing a debt security directly to an investor), and to provide financial statement users with additional debt information. Summarized information about the following items should be disclosed: amounts of unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses. This Statement was determined to have no effect on the District's financial statements.

Pending Pronouncements

The following GASB pronouncements have been issued but not yet implemented by the District:

In January 2017, GASB issued Statement No. 84 *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

**Note 28 – Recent Accounting Pronouncements – Governmental Accounting Standards Board
(Continued)**

purposes and how these activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for a recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This Statement is effective for periods beginning after December 15, 2018.

In June 2017, GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for a lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistence of information about governments' leasing activities. This Statement is effective for periods beginning after December 15, 2019.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90 *Majority Equity Interests – an amendment of GASB Statements No 14 and No. 61*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. This Statement is effective for periods beginning after December 15, 2019.

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of

South Texas College District
Notes to the Basic Financial Statements
August 31, 2019 and 2018

**Note 28 – Recent Accounting Pronouncements – Governmental Accounting Standards Board
(Continued)**

commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. This Statement is effective for periods beginning after December 15, 2020.

The District has not yet completed the process of evaluating the impact of GASB Statements Nos. 84, 87, 89, 90 and 91 on its financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SCHEDULE OF DISTRICT'S
PROPORTIONATE SHARE OF NET
PENSION LIABILITY**



SOUTH TEXAS COLLEGE

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South Texas College
Schedule of District's Proportionate Share of Net Pension Liability
Last Five Fiscal Years**

<u>Fiscal Year ending August 31st*</u>	2019**	2018**
District's proportionate share of collective net pension liability (%)	0.0922099%	0.0832350%
District's proportionate share of collective net pension liability (\$)	\$ 50,754,514	\$ 26,614,054
State's proportionate share of net pension liability associated with District	35,598,251	19,727,818
Total	\$ 86,352,765	\$ 46,341,872
Covered payroll	\$ 77,726,679	\$ 69,206,093
District's proportionate share of the collective net pension liability as a percentage of covered payroll	65.30%	38.46%
Plan fiduciary net position as percentage of total pension liability	73.74%	82.17%

*The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

**Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
0.0784417%	0.0768868%	0.0900000%
\$ 29,641,935	\$ 27,178,460	\$ 22,763,681
<u>22,641,257</u>	<u>20,886,258</u>	<u>17,659,066</u>
<u>\$ 52,283,192</u>	<u>\$ 48,064,718</u>	<u>\$ 40,422,747</u>
\$ 63,586,601	\$ 58,805,553	\$ 55,705,206
46.62%	46.22%	40.86%
78.00%	78.43%	83.25%

South Texas College District
Schedule of District's Contributions for Pensions
Last Five Fiscal Years**

<u>Fiscal Year ending August 31st*</u>	<u>2019**</u>	<u>2018**</u>
Legally required contributions	\$ 3,561,522	\$ 3,146,914
Annual contributions	<u>3,561,522</u>	<u>3,146,914</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered payroll	\$ 83,315,698	\$ 77,726,679
Contributions as a percentage of covered payroll	4.27%	4.05%

*The amounts presented above are as of the District's respective fiscal year-end.

**Scheule is intended to show information for 10 years. Additional years will be displayed as they become available.

<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
\$ 2,744,690	\$ 2,497,718	\$ 2,281,121
<u>2,744,690</u>	<u>2,497,718</u>	<u>2,281,121</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 69,206,093 3.97%	\$ 63,586,601 3.93%	\$ 58,805,553 3.88%

South Texas College District
Notes to Required Supplementary Information
For the Year Ended August 31, 2019

Changes of Benefit Term:

There were no material changes for the year ended August 31, 2019.

Changes of Assumptions:

The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the system's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ended August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior period's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rate of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8% to 7.25%.
- The change in long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

For details regarding actuarial assumption, please review TRS's Comprehensive Annual Financial Report for the year ended August 31, 2018, which can be accessed at [https://www.trs.texas.gov/TRS Documents/cafr_2018.pdf](https://www.trs.texas.gov/TRS_Documents/cafr_2018.pdf)

**SCHEDULE OF DISTRICT'S
PROPORTIONATE SHARE OF NET
OPEB LIABILITY EMPLOYEE
RETIREMENT SYSTEM OF TEXAS
STATE RETIREE HEALTH PLAN**

**South Texas College District
Schedule of District's Proportionate Share of Net OPEB Liability
Employee Retirement System of Texas
State Retiree Health Plan
Last Two Fiscal Years ****

<u>Fiscal Year ending August 31st*</u>	<u>2019**</u>	<u>2018**</u>
District's proportionate share of collective net OPEB liability (%)	0.3057199%	0.03884268%
District's proportionate share of collective net OPEB liability (\$)	\$ 90,608,465	\$ 13,234,872
State's proportionate share of net OPEB liability associated with District	<u>56,321,731</u>	<u>11,397,449</u>
Total	<u>\$ 146,930,196</u>	<u>\$ 24,632,321</u>
Covered employee payroll	\$ 375	\$ 141,181
District's proportionate share of the collective net OPEB liability as a percentage of covered employee payroll	24162257.33%	9374.40%
Plan fiduciary net position as percentage of total OPEB liability	1.27%	2.04%

* The amounts presented above are as of the measurement date of the collective net pension liability for the respective fiscal year.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**South Texas College District
Schedule of District's Contributions for OPEB
Employee Retirement System of Texas
State Retiree Health Plan
Last Two Fiscal Years ****

<u>Fiscal Year ending August 31st*</u>	<u>2019**</u>	<u>2018**</u>
Legally required contributions	\$ 163,189	\$ 419,711
Actual contributions	<u>163,189</u>	<u>419,711</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 65,178	 \$ 375
Contributions as a percentage of covered employee payroll	250.37%	111922.93%

* The amounts presented above are as of the District's respective fiscal year-end.

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Since the OPEB plan is intended to be a PAYGO plan that does not accumulate funds, ERS altered how they administer and record the employer contributions. IN FY2019 ERS placed the employer contributions into an agency fund and then transferred funds from the agency fund into the OPEB trust fund as benefit claims became due. In 2018, twelve months of retiree contribution was reported.

South Texas College District
Notes to Required Supplementary Information for OPEB
For the Year Ended August 31, 2019

Changes of Assumptions:

Demographic Assumptions:

Since the last valuation was prepared for this plan, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary.

In addition, the following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends:

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Percentage of future retirees assumed to be married and electing coverage for their spouse.

Economic Assumptions:

Assumptions for Expenses, Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution and Expense trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short-term expectations.

The discount rate was changed from 3.51% to 3.96% as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Minor benefit changes described below have been reflected in the FY 2019 Assumed Per Capita Health Benefits Costs.

Changes of Benefit Term:

Benefit revisions have been adopted since the prior valuation. The only benefit change for HealthSelect retirees and dependents for whom Medicare is not primary is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect (CDHP) from \$6,550 to \$6,650 for individuals and from \$13,100 to \$13,300 for families in order to remain consistent with Internal Revenue Service maximums. This minor benefit change is provided for in the FY 2019 Assumed Per Capita Health Benefit Costs. There are no benefit changes for HealthSelect retirees and dependents for whom Medicare is Primary.

South Texas College District
Notes to Required Supplementary Information for OPEB
For the Year Ended August 31, 2019

For details regarding actuarial assumption, please review ERS's Comprehensive Annual Financial Report and ERS's Actuarial Valuation report for the year ended August 31, 2018, which can be accessed at:

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management/2018-CAFR>

<https://www.ers.texas.gov/About-ERS/Reports-and-Studies/ERS-Actuarial-Valuation-Reports/2018-ERS-OPEB-Valuation-Report-December-2018.pdf>

**South Texas College District
Schedule of Operating Revenues
Year Ended August 31, 2019 (With Totals for the Year Ended August 31, 2018)**

Schedule A

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	FY 2019 Total	FY 2018 Total
Tuition:						
State funded credit courses						
In-district resident tuition	\$ 44,945,372	\$ -	\$ 44,945,372	\$ -	\$ 44,945,372	\$ 43,686,928
Out-of-district resident tuition	1,518,231	-	1,518,231	-	1,518,231	1,400,661
Non-resident tuition	4,512,646	-	4,512,646	-	4,512,646	4,668,300
TPEG state (set aside) *	1,898,463	-	1,898,463	-	1,898,463	1,892,733
State funded continuing education	894,587	-	894,587	-	894,587	760,922
TPEG non-credit (set aside) *	57,102	-	57,102	-	57,102	48,570
State funded workforce development	327,726	-	327,726	-	327,726	259,703
TPEG non-credit (set aside) *	20,918	-	20,918	-	20,918	16,578
Non-state funded continuing education	364,358	-	364,358	-	364,358	346,089
TPEG non-credit (set aside) *	23,256	-	23,256	-	23,256	22,092
Non-state funded workforce development	168,368	-	168,368	-	168,368	193,184
TPEG non-credit (set aside) *	10,747	-	10,747	-	10,747	12,330
Total Tuition	54,741,774	-	54,741,774	-	54,741,774	53,308,090
Fees:						
Student registration fee	10,609,347	-	10,609,347	-	10,609,347	9,678,607
Laboratory fees	1,312,945	-	1,312,945	-	1,312,945	1,329,969
Incidental fees	31,572,406	-	31,572,406	2,558,811	34,131,217	33,357,588
Total Fees	43,494,698	-	43,494,698	2,558,811	46,053,509	44,366,164
Scholarship Allowances and Discounts:						
Bad debt allowance	(1,106,670)	-	(1,106,670)	-	(1,106,670)	(1,304,281)
Remissions and exemptions	(34,968,942)	-	(34,968,942)	(911,817)	(35,880,759)	(32,987,660)
TPEG allowances	(2,624,727)	-	(2,624,727)	-	(2,624,727)	(1,908,458)
Local grants to students	(992,148)	-	(992,148)	-	(992,148)	(918,802)
Private grants to students	(914,744)	-	(914,744)	-	(914,744)	(1,163,827)
State grants to students	(1,863,162)	-	(1,863,162)	-	(1,863,162)	(1,784,756)
Federal grants to students	(34,824,066)	-	(34,824,066)	-	(34,824,066)	(35,948,604)
Total Scholarship Allowances and Discoun	(77,294,459)	-	(77,294,459)	(911,817)	(78,206,276)	(76,016,388)
Total Net Tuition and Fees	20,942,013	-	20,942,013	1,646,994	22,589,007	21,657,866
Additional Operating Revenues:						
Federal grants and contracts	214,096	4,446,651	4,660,747	-	4,660,747	4,304,540
State grants and contracts	86,939	4,614,226	4,701,165	-	4,701,165	4,108,972
Local grants and contracts	6,383,993	1,776,212	8,160,205	-	8,160,205	6,660,734
Non-governmental grants and contracts	37,533	1,985,342	2,022,875	-	2,022,875	2,538,696
General operating revenues	488,196	177,239	665,435	-	665,435	704,996
Total Additional Operating Revenues	7,210,757	12,999,670	20,210,427	-	20,210,427	18,317,938
Auxiliary Enterprises:						
Bookstore	-	-	-	495,226	495,226	611,451
Food service	-	-	-	730,546	730,546	606,290
Vending commissions	-	-	-	170,891	170,891	159,393
Other commissions	-	-	-	22,698	22,698	27,245
Child care center	-	-	-	271,274	271,274	328,343
General conferences	-	-	-	70,968	70,968	70,308
Other	-	-	-	5,000	5,000	87,150
Total Auxiliary Enterprises	-	-	-	1,766,603	1,766,603	1,890,180
Total Operating Revenues	\$ 28,152,770	\$ 12,999,670	\$ 41,152,440	\$ 3,413,597	\$ 44,566,037	\$ 41,865,984
					(Exhibit 2)	(Exhibit 2)

* In accordance with Education Code 56.033, \$2,010,486 and \$1,992,303 of tuition was set aside for Texas Public Education Grants (TPEG) for the years ended 2019 and 2018, respectively.

South Texas College District
Schedule of Operating Expenses by Object
Year Ended August 31, 2019 (With Totals for the Year Ended August 31, 2018)

Schedule B

	Operating Expenses			FY 2019 Total	FY 2018 Total	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted-Educational Activities						
Instruction	\$ 56,498,634	\$ -	\$ 22,649,942	\$ 6,111,361	\$ 85,259,937	\$ 72,085,336
Public service	740,165	-	195,935	364,724	1,300,824	1,630,876
Academic support	10,427,850	-	4,949,553	4,481,536	19,858,939	15,071,131
Student services	7,557,292	-	3,977,089	1,568,550	13,102,931	10,291,149
Institutional support	13,223,896	-	7,256,015	9,478,803	29,958,714	24,698,778
Operation and maintenance of plant	9,347,784	-	3,404,869	8,782,150	21,534,803	20,036,645
Total Unrestricted Educational Activities	97,795,621	-	42,433,403	30,787,124	171,016,148	143,813,915
Restricted-Educational Activities						
Instruction	623,183	5,614,989	112,450	533,928	6,884,550	5,655,951
Public service	224,837	-	43,021	292,314	560,172	645,787
Academic support	872,121	1,171,485	224,839	903,015	3,171,460	3,235,201
Student services	377,348	938,421	59	183,528	1,499,356	1,431,402
Institutional support	303,658	1,585,249	52,510	351,850	2,293,267	2,104,946
Operation and maintenance of plant	-	-	-	-	-	11,688
Scholarships and fellowships	-	-	-	27,797,829	27,797,829	27,412,188
Total Restricted Educational Activities	2,401,147	9,310,144	432,879	30,062,464	42,206,634	40,497,163
Total Educational Activities	100,196,768	9,310,144	42,866,282	60,849,588	213,222,782	184,311,078
Auxiliary Enterprises	1,442,232	-	594,953	1,413,815	3,451,000	3,355,013
Depreciation expense-buildings and other real estate improvements	-	-	-	7,769,454	7,769,454	6,308,860
Depreciation expense-books	-	-	-	233,793	233,793	182,970
Depreciation expense-equipment and furniture	-	-	-	4,005,863	4,005,863	3,425,813
Total Operating Expenses	\$ 101,639,000	\$ 9,310,144	\$ 43,461,235	\$ 74,272,513	\$ 228,682,892	\$ 197,583,734
				(Exhibit 2)	(Exhibit 2)	

South Texas College District
Schedule of Non-Operating Revenues and Expenses
Year Ended August 31, 2019 (With Totals for the Year Ended August 31, 2018)

Schedule C

	Unrestricted	Restricted	Auxiliary Enterprises	FY 2019 Total	FY 2018 Total
NON-OPERATING REVENUES:					
State appropriations:					
Education and general state support	\$ 39,166,833	\$ -	\$ -	\$ 39,166,833	\$ 39,167,689
Education and general state support BAT	1,071,990	-	-	1,071,990	1,071,990
State group insurance	-	5,401,152	-	5,401,152	5,740,268
State retirement matching	-	3,913,327	-	3,913,327	1,906,211
Hazlewood reimbursement	54,972	-	-	54,972	54,491
Total State Appropriations	40,293,795	9,314,479	-	49,608,274	47,940,649
Ad-valorem taxes-maintenance and operations	53,934,103	-	-	53,934,103	48,931,234
Ad-valorem taxes-debt service	-	14,694,007	-	14,694,007	15,656,580
Federal revenue, non operating	-	59,341,569	-	59,341,569	60,276,808
Gifts	320,507	-	-	320,507	353,250
Investment income (net of investment expenses)	5,054,824	443,581	74,337	5,572,742	3,698,483
Gain on disposal of capital assets	3,790	-	-	3,790	6,547
Insurance proceeds	425,000	-	-	425,000	14,959
Other non-operating revenue	68,526	-	-	68,526	19,732
Total Non-Operating Revenues	100,100,545	83,793,636	74,337	183,968,518	176,898,242
NON-OPERATING EXPENSES:					
Interest on capital related debt	5,690,864	-	-	5,690,864	3,513,058
Loss on disposal of capital assets	114,727	-	-	114,727	838,031
Non-capital construction costs	2,025,830	-	-	2,025,830	11,107,175
Bond costs amortization	166,273	-	-	166,273	268,803
Other non-operating expenses	41,959	204,635	-	246,594	84,956
Total Non-Operating Expenses	8,039,653	204,635	-	8,244,288	15,812,023
Net Non-Operating Revenues	\$ 92,060,892	\$ 83,589,001	\$ 74,337	\$ 175,724,230	\$ 161,086,219
				(Exhibit 2)	(Exhibit 2)

South Texas College District
Schedule of Net Position by Source and Availability
Year Ended August 31, 2019 (With Totals for the Year Ended August 31, 2018)

	Detail by Source					FY 2019 Total
	Unrestricted	Restricted		Net Investment in Capital Assets		
		Expendable	Non-Expendable			
Current:						
Unrestricted	\$ 60,708,372	\$ -	\$ -	-		\$ 60,708,372
Board designated	34,500,000	-	-	-		34,500,000
Restricted						
Student Aid	-	2,429,767	-	-		2,429,767
Instructional Programs	-	78,318	-	-		78,318
Institutional Activities	-	112,247	-	-		112,247
Auxiliary enterprises	4,646,982	-	-	-		4,646,982
Loan	-	1,518,959	-	-		1,518,959
Endowment:						
True	-	-	339,500	-		339,500
Plant:						
Unexpended	27,842,658	-	-	-		27,842,658
Renewals & replacements	23,147,238	-	-	-		23,147,238
Debt service	-	15,817,687	-	-		15,817,687
Investment in plant	-	-	-	206,861,404		206,861,404
Total Net Position, August 31, 2019	150,845,250	19,956,978	339,500	206,861,404		378,003,132
Total Net Position, August 31, 2018	161,722,906	18,748,658	339,472	205,569,611		386,380,647
Net Increase (Decrease) in Net Position	\$ (10,877,656)	\$ 1,208,320	\$ 28	\$ 1,291,793		\$ (8,377,515)

(Exhibit 1)

(Exhibit 1)

(Exhibit 2)

Note: The Unexpended Plant Fund is earmarked in the fiscal year 2019 board approved budget for construction projects.
The Renewals & Replacements Plant Fund is earmarked in the fiscal year 2019 board approved budget for deferred maintenance projects.

Schedule D

Available for Current Operations	
Yes	No
\$ 60,708,372	\$ -
-	34,500,000
-	2,429,767
-	78,318
-	112,247
4,646,982	-
-	1,518,959
-	339,500
-	27,842,658
-	23,147,238
-	15,817,687
-	206,861,404
65,355,354	312,647,778
95,472,341	300,923,548
<u>\$ (14,668,017)</u>	<u>\$ 11,724,230</u>

**South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019**

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Expenditures			Subrecipient Expenditures
		Direct Awards	Pass Through Awards	Total	
U.S. Department of Education					
Direct Programs:					
Student Financial Assistance Cluster					
Federal Supplemental Educational Opportunity Grants	84.007	\$ 859,269	\$ -	\$ 859,269	\$ -
Federal Work-Study Program	84.033	612,882	-	612,882	-
Federal Pell Grant Program	84.063	<u>57,869,418</u>	<u>-</u>	<u>57,869,418</u>	<u>-</u>
Total Student Financial Assistance Cluster		59,341,569	-	59,341,569	-
Higher Education Institutional Aid	84.031S	584,831	-	584,831	-
Childcare Access Means Parents In School	84.335A	183,528	-	183,528	-
Pass-Through From:					
Texas Higher Education Coordinating Board					
Career and Technical Education-Basic Grants 20790	84.048	-	1,993,668	1,993,668	-
Education Research, Development and Dissemination 15516	84.305H	-	15,502	15,502	-
Texas Workforce Commission					
Adult Education - Basic Grants to States 2319AEL001	84.002A	-	194,184	194,184	-
Adult Education - Basic Grants to States 2319AEL000	84.002A	-	19,155	19,155	-
Total Adult Education - Basic Grants to States		-	213,338	213,338	-
Rehabilitation Services Vocational Rehabilitation 3019VRS131	84.126A	-	41,830	41,830	-
Region One					
Adult and Education Literacy 2318ALA000	84.000	-	149,001	149,001	-
Total U.S. Department of Education		<u>60,109,928</u>	<u>2,413,339</u>	<u>62,523,268</u>	<u>-</u>
U.S. Department of Agriculture					
Pass-Through From:					
University of Texas Rio Grande Valley					
Hispanic Servicing Institutions Education Grants 2015-38422-24061 (02)	10.223	-	30,626	30,626	-
Texas Department of Agriculture					
Child and Adult Care Food Program 03264	10.558	-	41,867	41,867	-
Total U.S. Department of Agriculture		<u>-</u>	<u>72,493</u>	<u>72,493</u>	<u>-</u>
U.S. Department of Commerce					
Direct Programs:					
Economic Development Support for Planning Organizations EDA18AUS3020025	11.302	48,109	-	48,109	-
Total U.S. Department of Commerce		<u>48,109</u>	<u>-</u>	<u>48,109</u>	<u>-</u>
U.S. Department of Defense					
Direct Programs:					
Military Spouse Career Advancement	12.000	<u>5,750</u>	<u>-</u>	<u>5,750</u>	<u>-</u>
Total U.S. Department of Defense		<u>5,750</u>	<u>-</u>	<u>5,750</u>	<u>-</u>
U.S. Department of Labor					
Pass-Through From:					
Texas Workforce Commission					
WIOA Adult Program 2418WOS000	17.258	-	28,955	28,955	-
Lower Rio Grande Workforce Development Board					
Apprenticeship USA Grants 2319ATG000	17.285	-	36,272	36,272	-
Total U.S. Department of Labor		<u>-</u>	<u>65,227</u>	<u>65,227</u>	<u>-</u>

**South Texas College District
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2019**

(Continued)

Schedule E

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Expenditures			Subrecipient Expenditures
		Direct Awards	Pass Through Awards	Total	
National Science Foundation					
Pass-Through From:					
University of Texas Rio Grande Valley Education and Human Resources 1317661 (2)	47.076	-	30,276	30,276	-
Total National Science Foundation		-	30,276	30,276	-
U.S. Department of Health and Human Services					
TANF Cluster					
Pass-Through From:					
Texas Workforce Commission					
Temporary Assistance for Needy Families 2319SSF001	93.558	-	4,499	4,499	-
Temporary Assistance for Needy Families 2318SMP000	93.558	-	3	3	-
Temporary Assistance for Needy Families 2319SMP001	93.558	-	44,141	44,141	-
Total TANF Cluster		-	48,643	48,643	-
Pass-Through From:					
University of Texas Rio Grande Valley Substance Abuse and Mental Health Services Projects of Regional and National Significance 5H79SP021371 (04)	93.243		816	816	-
Total U.S. Department of Health and Human Services		-	49,460	49,460	-
Total Federal Financial Assistance		\$ 60,163,788	\$ 2,630,795	\$ 62,794,582	\$ -

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenue - per Schedule A	4,446,651
Add: Indirect/Administrative Cost Recoveries - per Schedule A	214,096
Add: Non Operating Federal Revenue from Schedule C	59,341,569
Total Federal Revenues per Statement of Revenues, Expenses and Changes in Net Assets	<u>64,002,316</u>
Reconciling Item:	
Minus: Veteran Funds	(1,209,961)
Portland State University Service Contract	2,227
Total Reconciling Items	<u>(1,207,734)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 62,794,582</u>

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since the District has agency approved Indirect Recovery Rate it has elected not to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414

Note 3: Expenditures not subject to federal single audit.

The following federal funds were not subject to federal single audit -	
CFDA 64.027 Post 9/11 Veterans Education Assistance	\$ 921,423
CFDA 64.125 Vocational and Educational Counseling for Service members and Veterans	\$ 288,538

These funds were not subject to a federal single audit as indicated in the Catalog of Federal Domestic Assistance distributed by the Office of Management and Budget.

**South Texas College District
Schedule of Expenditures of State Awards
For the Year Ended August 31, 2019**

Schedule F

Grantor Agency/Program Title	Contract Number	Expenditures			Subrecipient Expenditures
		Direct Awards	Pass Through Awards	Total	
Texas Higher Education Coordinating Board					
Nursing Innovation Grant Program	19556	\$ -	\$ 29,543	\$ 29,543	\$ -
Nursing Shortage Regular Program		-	188,392	188,392	-
CB Comprehensive College Readiness and Success Models for 60x30TX	17435, 20522	-	46,400	46,400	-
Grad TX	19108	-	35,656	35,656	-
Texas College Workstudy Program		-	159,604	159,604	-
Texas Educational Opportunity Grant - Initial Year		-	1,602,167	1,602,167	-
Texas Educational Opportunity Grant - Renewal Year		-	1,090,311	1,090,311	-
Work-Study Mentorship Program		-	63,510	63,510	-
State Cert Education Aide SchP		-	9,422	9,422	-
T-STEM Scholarship	16910	-	113,397	113,397	-
Total Texas Higher Education Coordinating Board		-	3,338,403	3,338,403	-
Texas National Guard Tuition Assistance Program		1,394	-	1,394	-
Texas Workforce Commission					
Pre-Employment Transition Services - Explore STEM! Camps	3018VRS214	-	8,854	8,854	-
Jobs and Education for Texans Grant Program	2319JET005	-	75,773	75,773	-
Jobs and Education for Texans Grant Program	2318JET003	-	249,096	249,096	-
FY19 Skills for Small Business Program	2319SSD000	-	215,346	215,346	-
FY17 Skills for Small Business Program	2317SSD000	-	68,270	68,270	-
South Texas College in Partnership with a Healthcare Consortium	2318SDF000	-	344,855	344,855	188,305
South Texas College in Partnership with a Manufacturing Consortium	2319SDF000	-	207,413	207,413	-
South Texas College in Partnership with RGV Med, L.L.C.	2319SDF001	-	203,381	203,381	-
Total Texas Workforce Commission		-	1,372,988	1,372,988	188,305
Total State Financial Assistance		\$ 1,394	\$ 4,711,390	\$ 4,712,784	\$ 188,305

Note 1: State Assistance Reconciliation

State Revenues - per Schedule A	4,614,226
Add: Indirect/Administrative Cost Recoveries - per Schedule A	86,939
Total State Revenues per Statement of Revenues, Expenses and Changes in Net Assets	4,701,165
Reconciling Item:	
Add: Revenue classified as Non Operating Professional Nursing Shortage Reduction	11,619
Total State Revenues per Schedule of Expenditures of State Awards	<u>\$ 4,712,784</u>

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the District's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds that have been expended by the District for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The District has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Amounts Passed Through by the College

The following amounts were passed through to the listed sub-recipients by the college:

Texas Workforce Commission	
Skills Development Fund #25	
Laredo College	\$ 54,456
Southwest Texas Junior College	<u>133,849</u>
Total amount passed through by the college	\$ 188,305

STATISTICAL SECTION

(Unaudited)



**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2019 and 2018**

Statistical Information

This part of South Texas College District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the District’s overall financial health.

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**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2019 and 2018**

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These schedules contain information to help the reader assess the District’s most significant local revenue sources, including the property tax.

Debt Capacity

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These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.

Demographic and Economic Information

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**South Texas College District
Comprehensive Annual Financial Report
Fiscal Years Ended August 31, 2019 and 2018**

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating and Other Information

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These schedules contain service, infrastructure and other data to help the reader understand how the information in the District's financial report relates to the services the government provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Statistical Supplement 1
Net Position by Component
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net Position				
Net investment in capital assets	\$ 206,861,404	\$ 205,569,611	\$ 198,658,153	\$ 181,421,943
Restricted expendable	19,956,978	18,748,658	19,145,139	19,790,037
Restricted non-expendable	339,500	339,472	339,455	339,449
Unrestricted	<u>150,845,250</u>	<u>161,722,906</u>	<u>178,253,142</u>	<u>169,726,346</u>
Total Net Position	<u>\$ 378,003,132</u>	<u>\$ 386,380,647</u>	<u>\$ 396,395,889</u>	<u>\$ 371,277,775</u>

For the Fiscal Year Ended August 31,

2015	2014	2013	2012	2011	2010
\$ 170,833,415	\$ 169,028,494	\$ 162,064,429	\$ 156,914,256	\$ 147,207,945	\$ 136,773,512
21,990,626	21,972,306	20,325,155	17,978,771	17,161,889	16,906,861
339,446	339,445	339,444	340,664	346,360	346,050
147,038,865	146,201,266	133,119,225	117,854,250	92,402,854	75,665,289
<u>\$ 340,202,352</u>	<u>\$ 337,541,511</u>	<u>\$ 315,848,253</u>	<u>\$ 293,087,941</u>	<u>\$ 257,119,048</u>	<u>\$ 229,691,712</u>

Statistical Supplement 2
Revenues by Source
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	2019	2018	2017	2016
Operating Revenues				
Tuition and fees (net of discounts)	\$ 22,589,007	\$ 21,657,866	\$ 23,129,705	\$ 21,452,743
Federal grants and contracts	4,660,747	4,304,540	4,490,675	3,889,497
State grants and contracts	4,701,165	4,108,972	4,076,652	3,266,315
Local grants and contracts	8,160,205	6,660,734	6,102,604	5,063,983
Non-governmental grants and contracts	2,022,875	2,538,696	2,061,438	2,487,482
Auxiliary enterprises	1,766,603	1,890,180	1,833,407	1,893,838
General operating revenues	<u>665,435</u>	<u>704,996</u>	<u>603,343</u>	<u>729,855</u>
Total Operating Revenues	<u>44,566,037</u>	<u>41,865,984</u>	<u>42,297,824</u>	<u>38,783,713</u>
Non-Operating Revenues				
State appropriations	49,608,274	47,940,649	45,315,830	46,077,235
Ad-valorem taxes - maintenance & operations	53,934,103	48,931,234	48,822,561	46,781,602
Ad-valorem taxes - debt service	14,694,007	15,656,580	15,652,143	15,016,847
Federal revenue, non-operating	59,341,569	60,276,808	55,666,373	54,858,852
Gifts	320,507	353,250	252,614	251,022
Investment income (net of investment expenses)	5,572,742	3,698,483	2,612,017	1,034,010
Gain on disposal of capital assets	3,790	6,547	5,575	12,350
Insurance proceeds	425,000	14,959	149,634	-
Other non-operating revenues	<u>68,526</u>	<u>19,732</u>	<u>352,500</u>	<u>=</u>
Total Non-Operating Revenues	<u>183,968,518</u>	<u>176,898,242</u>	<u>168,829,247</u>	<u>164,031,918</u>
Total Revenues	<u>\$ 228,534,555</u>	<u>\$ 218,764,226</u>	<u>\$ 211,127,071</u>	<u>\$ 202,815,631</u>

For the Fiscal Year Ended August 31,

2015	2014	2013	2012	2011	2010
\$ 21,373,162	\$ 20,488,244	\$ 21,051,377	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615
4,368,574	3,445,293	4,630,302	4,748,007	6,172,207	8,979,526
4,068,944	4,246,315	5,160,704	6,794,060	6,335,567	6,711,706
1,099,573	1,118,054	1,270,376	1,293,135	1,380,691	1,255,944
5,235,358	4,949,832	3,113,960	2,740,134	2,796,686	2,200,618
1,773,325	1,835,353	1,810,240	1,872,734	1,877,501	1,666,738
1,308,903	645,811	621,264	439,642	545,846	1,988,232
39,227,839	36,728,902	37,658,223	37,471,221	37,390,206	39,956,379
42,858,200	42,766,020	38,977,829	37,017,673	36,676,953	37,514,938
43,951,580	33,983,319	32,403,363	33,244,142	33,798,861	34,314,946
14,105,277	12,291,870	12,030,232	12,276,741	12,187,090	12,197,541
54,881,496	55,351,962	57,151,307	61,950,136	66,972,554	59,089,947
305,146	323,100	351,843	418,605	309,868	663,193
144,206	214,915	389,519	417,075	327,497	388,426
-	-	-	2,793	-	-
24,282	-	-	-	-	-
-	35,840	-	-	-	-
156,270,187	144,967,026	141,304,093	145,327,165	150,272,823	144,168,991
\$ 195,498,026	\$ 181,695,928	\$ 178,962,316	\$ 182,798,386	\$ 187,663,029	\$ 184,125,370

(Continued)

Statistical Supplement 2
Revenues by Source
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	2019	2018	2017	2016
Operating Revenues				
Tuition and fees (net of discounts)	9.88%	9.91%	10.95%	10.58%
Federal grants and contracts	2.04%	1.97%	2.13%	1.92%
State grants and contracts	2.06%	1.88%	1.93%	1.61%
Local grants and contracts	3.57%	3.04%	2.89%	2.50%
Non-governmental grants and contracts	0.89%	1.16%	0.98%	1.22%
Auxiliary enterprises	0.77%	0.86%	0.87%	0.93%
General operating revenues	<u>0.29%</u>	<u>0.32%</u>	<u>0.29%</u>	<u>0.36%</u>
Total Operating Revenues	<u>19.50%</u>	<u>19.14%</u>	<u>20.04%</u>	<u>19.12%</u>
Non-Operating Revenues				
State appropriations	21.71%	21.91%	21.46%	22.72%
Ad-valorem taxes - maintenance & operations	23.60%	22.37%	23.12%	23.07%
Ad-valorem taxes - debt service	6.43%	7.16%	7.41%	7.40%
Federal revenue, non-operating	25.97%	27.55%	26.37%	27.05%
Gifts	0.14%	0.16%	0.12%	0.12%
Investment income (net of investment expenses)	2.44%	1.69%	1.24%	0.51%
Gain on disposal of capital assets	-	-	-	0.01%
Insurance proceeds	0.19%	0.01%	0.07%	-
Other non-operating revenues	<u>0.03%</u>	<u>0.01%</u>	<u>0.17%</u>	<u>=</u>
Total Non-Operating Revenues	<u>80.50%</u>	<u>80.86%</u>	<u>79.96%</u>	<u>80.88%</u>
Total Revenues	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Notes:
Change in Net position reflected on Statistical Supplement 19.

(Continued)

For the Fiscal Year Ended August 31,

2015	2014	2013	2012	2011	2010
10.93%	11.28%	11.76%	10.71%	9.74%	9.31%
2.24%	1.90%	2.59%	2.60%	3.29%	4.88%
2.08%	2.34%	2.88%	3.72%	3.38%	3.64%
0.56%	0.61%	0.71%	0.71%	0.74%	0.68%
2.68%	2.72%	1.74%	1.50%	1.49%	1.20%
0.91%	1.01%	1.01%	1.02%	1.00%	0.91%
0.67%	0.35%	0.35%	0.24%	0.28%	1.08%
20.07%	20.21%	21.04%	20.50%	19.92%	21.70%
21.92%	23.54%	21.78%	20.25%	19.55%	20.37%
22.48%	18.70%	18.11%	18.19%	18.01%	18.65%
7.22%	6.77%	6.72%	6.71%	6.49%	6.62%
28.07%	30.46%	31.93%	33.89%	35.69%	32.09%
0.16%	0.18%	0.20%	0.23%	0.17%	0.36%
0.07%	0.12%	0.22%	0.23%	0.17%	0.21%
-	-	-	-	-	-
0.01%	-	-	-	-	-
-	0.02%	-	-	-	-
79.93%	79.79%	78.96%	79.50%	80.08%	78.30%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Statistical Supplement 3
Program Expenses by Function
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	2019	2018	2017	2016
Operating Expenses				
Instruction	\$ 92,144,487	\$ 77,741,287	\$ 70,879,518	\$ 66,249,496
Research	-	-	-	-
Public service	1,860,996	2,276,663	709,252	912,507
Academic support	23,030,399	18,306,332	17,101,883	16,333,241
Student services	14,602,287	11,722,551	11,228,508	11,477,740
Institutional support	32,251,981	26,803,724	26,074,788	23,138,061
Operations and maintenance of plant	21,534,803	20,048,333	15,977,257	14,064,638
Scholarships and fellowships	27,797,829	27,412,188	26,028,594	26,432,169
Auxiliary enterprises	3,451,000	3,355,013	2,529,295	1,562,463
Depreciation	<u>12,009,110</u>	<u>9,917,643</u>	<u>7,262,313</u>	<u>6,966,274</u>
Total Operating Expenses	<u>228,682,892</u>	<u>197,583,734</u>	<u>177,791,408</u>	<u>167,136,589</u>
Non-Operating Expenses				
Interest on capital related debt	5,690,864	3,513,058	4,150,374	6,602,765
Loss on sale/disposal/return on capital assets	114,727	838,031	5,886	-
Non-capital construction costs	2,025,830	11,107,175	3,548,465	1,911,123
Bond costs amortization	166,273	268,803	295,436	284,829
Other non-operating expenses	<u>246,594</u>	<u>84,956</u>	<u>265,017</u>	<u>320,767</u>
Total Non-Operating Expenses	<u>8,244,288</u>	<u>15,812,023</u>	<u>8,265,178</u>	<u>9,119,484</u>
Total Expenses	<u>\$ 236,927,180</u>	<u>\$ 213,395,757</u>	<u>\$ 186,056,587</u>	<u>\$ 176,256,073</u>

For the Fiscal Year Ended August 31,

2015	2014	2013	2012	2011	2010
\$ 60,820,171	\$ 59,447,106	\$ 57,766,578	\$ 53,899,805	\$ 57,359,050	\$ 55,454,200
-	-	4,516	67,273	6,303	-
1,205,480	829,711	903,735	736,507	640,673	2,460,617
15,281,478	13,980,994	12,775,912	11,551,178	12,035,474	9,565,508
10,969,940	10,403,814	10,090,241	9,681,946	9,939,104	10,264,591
21,790,954	19,813,087	21,108,957	19,494,885	20,293,881	19,044,676
13,675,484	12,563,250	9,486,934	9,459,757	10,270,614	10,437,077
27,815,696	27,692,817	28,724,249	31,873,082	39,320,494	37,212,122
1,403,408	1,388,716	1,383,521	1,418,145	1,421,243	1,524,084
6,759,801	6,731,486	6,589,876	6,414,932	6,265,826	5,923,105
159,722,412	152,850,981	148,834,519	144,597,510	157,552,662	151,885,980
5,964,767	1,340,664	1,513,884	1,821,871	2,054,633	2,986,702
240,389	10,154	217	-	3,500	4,698
1,731,576	1,715,994	849,455	1,400,934	464,503	2,268,529
1,166,614	873,317	566,261	536,677	496,724	353,037
274,655	208,684	290,477	500,835	396,032	673,262
9,378,001	4,148,813	3,220,294	4,260,317	3,415,392	6,286,228
\$ 169,100,413	\$ 156,999,794	\$ 152,054,813	\$ 148,857,827	\$ 160,968,054	\$ 158,172,208

(Continued)

Statistical Supplement 3
Program Expenses by Function
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	2019	2018	2017	2016
Operating Expenses				
Instruction	38.89%	36.43%	38.10%	37.59%
Research	-	-	-	-
Public service	0.79%	1.07%	0.38%	0.52%
Academic support	9.72%	8.58%	9.19%	9.27%
Student services	6.16%	5.49%	6.04%	6.51%
Institutional support	13.61%	12.56%	14.01%	13.13%
Operations and maintenance of plant	9.09%	9.39%	8.59%	7.98%
Scholarships and fellowships	11.73%	12.85%	13.99%	15.00%
Auxiliary enterprises	1.46%	1.57%	1.36%	0.88%
Depreciation	5.07%	4.65%	3.90%	3.95%
Total Operating Expenses	96.52%	92.59%	95.56%	94.83%
Non-Operating Expenses				
Interest on capital related debt	2.40%	1.65%	2.23%	3.75%
Loss on sale/disposal/return on capital assets	0.05%	0.39%	-	-
Non-capital construction costs	0.86%	5.20%	1.91%	1.08%
Bond costs amortization	0.07%	0.13%	0.16%	0.16%
Other non-operating expenses	0.10%	0.04%	0.14%	0.18%
Total Non-Operating Expenses	3.48%	7.41%	4.44%	5.17%
Total Expenses	100.00%	100.00%	100.00%	100.00%

Notes:

Change in Net Position reflected on Statistical Supplement 19.

Other non-operating expenses were segregated into separate categories for FY 2009 - FY 2018.

The segregation is not reflected in the previous years.

(Continued)

For the Fiscal Year Ended August 31,

2015	2014	2013	2012	2011	2010
35.97%	37.86%	37.99%	36.22%	35.63%	35.13%
-	-	-	0.05%	-	-
0.71%	0.53%	0.59%	0.49%	0.40%	1.56%
9.03%	8.91%	8.40%	7.76%	7.48%	6.06%
6.49%	6.63%	6.64%	6.50%	6.17%	6.50%
12.88%	12.62%	13.88%	13.10%	12.61%	12.06%
8.09%	8.00%	6.24%	6.35%	6.38%	6.61%
16.45%	17.64%	18.89%	21.41%	24.43%	23.57%
0.83%	0.88%	0.91%	0.95%	0.88%	0.97%
4.00%	4.29%	4.34%	4.31%	3.89%	3.75%
94.45%	97.36%	97.88%	97.14%	97.87%	96.21%
3.53%	0.85%	1.00%	1.22%	1.28%	1.70%
0.14%	0.01%	-	-	-	-
1.03%	1.09%	0.56%	0.94%	0.29%	1.44%
0.69%	0.56%	0.37%	0.36%	0.31%	0.22%
0.16%	0.13%	0.19%	0.34%	0.25%	0.43%
5.55%	2.64%	2.12%	2.86%	2.13%	3.79%
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Statistical Supplement 4
Tuition and Fees
Last Ten Academic Years
(unaudited)

Academic Year (Fall)	Registration Fee (per student)	Resident Fees per Semester Credit Hour (SCH)					Student Activity Fee
		In-District Tuition (a)	Out-of-District Tuition (a)	Technology Fee	Learning Support Fee		
2018	\$ 100/160	\$ 70	\$ 80	\$ 30	\$ 12	\$ 4	
2017	100/160	70	80	24	16	4	
2016	100/160	67	76	24	16	2	
2015	90/150	67	76	22	15	2	
2014	90/150	67	76	20	13	-	
2013	90/150	67	76	18	13	-	
2012	90/150	67	76	16	12	-	
2011	90/150	67	76	16	12	-	
2010	90/150	63	76	16	12	-	
2009	90/150	63	76	12	7	-	

Academic Year (Fall)	Registration Fee (per student)	Non - Resident Fees per Semester Credit Hour (SCH)					Student Activity Fee
		Non-Resident Tuition Out of State	Non-Resident Tuition International	Technology Fee	Learning Support Fee		
2018	\$ 100/160	\$ 200	\$ 200	\$ 30	\$ 12	\$ 4	
2017	100/160	200	200	24	16	4	
2016	100/160	192	192	24	16	2	
2015	90/150	100	100	22	15	2	
2014	90/150	105	105	20	13	-	
2013	90/150	202	202	18	13	-	
2012	90/150	202	202	16	12	-	
2011	90/150	202	202	16	12	-	
2010	90/125	202	202	16	12	-	
2009	90/125	202	202	12	7	-	

Sources:
South Texas College District Student Guide

Notes:
Includes basic enrollment tuition and fees, but excludes course based fees such as laboratory fees, testing fees and certification fees.
(a) Tuition rate at 12 credit hours.

	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase From Prior Year In-District	Increase From Prior Year Out-of-District
\$	1,492/1,552	\$ 1,612/1,672	1.63%	1.51%
	1,468/1,528	1,588/1,648	4.26%	4.68%
	1,408/1,468	1,517/1,577	3.38%	3.13%
	1,362/1,422	1,471/1,531	5.58%	5.22%
	1,290/1,350	1,398/1,458	1.90%	1.67%
	1,266/1,326	1,375/1,435	2.93%	2.69%
	1,230/1,290	1,339/1,399	-	-
	1,230/1,290	1,339/1,399	4.06%	-
	1,182/1,217	1,339/1,374	10.06%	8.77%
	1,074/1,109	1,231/1,266	9.82%	4.15%

	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase From Prior Year Out-of-State	Increase From Prior Year International
\$	3,052/3,112	\$ 3,052/3,112	0.79%	0.79%
	3,028/3,088	3,028/3,088	4.13%	4.13%
	2,908/2,968	2,908/2,968	65.42%	65.42%
	1,758/1,818	1,758/1,818	0.69%	0.69%
	1,746/1,806	1,746/1,806	(39.50%)	(39.50%)
	2,886/2,946	2,886/2,946	1.26%	1.26%
	2,850/2,910	2,850/2,910	-	-
	2,850/2,910	2,850/2,910	-	-
	2,850/2,885	2,850/2,885	3.94%	3.94%
	2,742/2,777	2,742/2,777	1.78%	1.78%

Statistical Supplement 5
Assessed Value and Taxable Assessed Value of Property
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Assessed Valuation of Property	Less: Exempt Property	Less: Exemptions	Taxable Assessed Value (TAV)
2018-19	\$ 50,847,373,837	\$ 10,915,450,453	\$ 1,550,090,537	\$ 38,381,832,847
2017-18	48,331,824,331	10,258,297,206	1,477,379,306	36,596,147,819
2016-17	46,095,416,000	10,006,121,217	1,187,077,443	34,902,217,340
2015-16	43,541,107,619	9,442,963,099	793,651,829	33,304,492,691
2014-15	40,017,479,312	8,339,328,628	712,991,259	30,965,159,425
2013-14	39,073,962,437	8,153,953,156	673,809,590	30,246,199,691
2012-13	38,329,106,121	8,122,084,714	561,487,336	29,645,534,071
2011-12	38,076,515,412	8,066,423,089	491,916,984	29,518,175,339
2010-11	38,564,676,317	8,008,313,427	466,703,913	30,089,658,977
2009-10	38,657,894,136	7,884,586,948	469,123,962	30,304,183,226

Sources:
Hidalgo County and Starr County Tax Assessor & Collector

Notes:
Property is assessed at fair market value. Property in each county is reassessed annually. Exempt property includes exclusions.
(a) Tax rates are per \$100 of Taxable Assessed Value.

Direct Rate

Ratio of Taxable Assessed Value to Assessed Value	Maintenance & Operations (a)	Debt Service (a)	Total (a)
75.48%	0.1400	0.0380	0.1780
75.72%	0.1400	0.0450	0.1850
75.72%	0.1400	0.0450	0.1850
76.49%	0.1400	0.0450	0.1850
77.38%	0.1400	0.0450	0.1850
77.41%	0.1100	0.0400	0.1500
77.34%	0.1100	0.0407	0.1507
77.52%	0.1100	0.0407	0.1507
78.02%	0.1100	0.0397	0.1497
78.39%	0.1100	0.0391	0.1491

Statistical Supplement 6a
General Appropriations Act Before Contact Hour Adjustments¹
(unaudited)

Appropriation Funding Elements	2019	2018	2017	2016
State Appropriation Contact Hour Funding (CH)	\$ 34,396,461	\$ 34,397,316	\$ 32,558,148	\$ 33,471,584
State Appropriation Student Success Points (SSP)	4,089,966	4,089,967	3,670,735	3,670,736
State Appropriation Core Operations (CO)	680,406	680,406	500,000	500,000
State Appropriation Bachelor of Applied Technology (BAT)	1,071,990	1,071,990	805,107	805,106
State Appropriation Non-Formula Items	-	-	-	-
Total	\$ 40,238,823	\$ 40,239,679	\$ 37,533,990	\$ 38,447,426

Note: The requirements for Schedule 6 were changed by THECB in fiscal year 2018.

¹ General Appropriations Act, SB 1, 85th Texas Legislature, Section 1 (page III-209) - Informational Listing of Appropriated Funds

*Formula funding methodology changed

2015	2014*	2013	2012	2011	2010
\$ 31,439,245	\$ 31,439,245	\$ 33,527,444	\$ 31,810,174	\$ 27,944,746	\$ 28,236,264
3,394,950	3,394,950	-	-	-	-
500,000	500,000	-	-	-	-
562,474	562,474	354,687	355,845	331,297	331,297
-	-	-	-	-	-
<u>\$ 35,896,669</u>	<u>\$ 35,896,669</u>	<u>\$ 33,882,131</u>	<u>\$ 32,166,019</u>	<u>\$ 28,276,043</u>	<u>\$ 28,567,561</u>

Statistical Supplement 6b
State Appropriation per FTSE
Last Ten Fiscal Years
(unaudited)

Fiscal Year	State Appropriation (Unrestricted) From Sch C	FTSE ¹	State Appropriation per FTSE
2019	\$ 40,238,823	20,835	\$ 1,931
2018	40,239,679	21,619	1,861
2017	37,533,990	21,474	1,748
2016	38,447,426	21,665	1,775
2015	35,896,669	20,585	1,744
2014*	35,896,669	20,306	1,768
2013	33,882,131	19,729	1,717
2012	32,166,019	18,991	1,694
2011	28,276,043	18,904	1,496
2010	28,567,561	18,224	1,568

Note: The requirements for Schedule 6 were changed by THECB in fiscal year 2018.

¹ Full time student equivalent (FTSE) is calculated using semester credit hours (SCH) divided by 30 plus non-semester (continuing education) contact hours divided by 900.

*FY Formula Funding Changed Methodology

Source: CBM004/CBM001 and CBM00C/CBM00A.

Statistical Supplement 6c
State Appropriation per Funded Contact Hour
Contact Hour (CH) portion only of State Appropriation
(unaudited)

Fiscal Year	CH - State Appropriation (Unrestricted) ¹	Academic Contact Hours	BAT	Technical Contact Hours	Continuing Education Contact Hours	Total Funded Contact Hours	CH- State Appropriation per Funded Contact Hour
2019	\$ 34,396,461	8,873,696	274,544	3,016,304	220,585	12,385,129	\$ 2.78
2018	34,397,316	9,331,808	281,520	3,140,496	202,707	12,956,531	2.65
2017	32,558,148	9,118,640	246,976	3,341,936	210,795	12,918,347	2.52
2016	33,471,584	9,037,632	198,224	3,682,592	218,567	13,137,015	2.55
2015	31,439,245	8,283,144	164,112	3,469,008	730,548	12,646,812	2.49
2014*	31,439,245	8,269,360	160,080	3,453,056	716,914	12,599,410	2.50
2013	33,527,444	8,276,552	121,856	3,246,752	449,630	12,094,790	2.77
2012	31,810,174	8,112,432	110,432	3,076,192	219,989	11,519,045	2.76
2011	27,944,746	8,185,840	100,336	2,902,848	176,179	11,365,203	2.46
2010	28,236,264	7,755,184	89,632	2,942,672	275,516	11,063,004	2.55

Note: The requirements for Schedule 6 were changed by THECB in fiscal year 2018.

¹Contact hours (CH) for Academic, Technical and Continuing Education Contact include the Fall, Spring and Summer semesters of the respective year.

²State Funded Contact Hour Appropriations as it appears in schedule 6a.

*FY Year formula Funding Changed Methodology

Source: CBM004/CBM001 and CBM00C/CBM00A.

Statistical Supplement 6d
State Appropriation per Student Success Point - Annualized
Last Six Fiscal Years¹
(unaudited)

Fiscal Year	SSP - State Appropriation (unrestricted) ²	Year Average Student Success Points ³	Appropriation per Success Point
2019 ⁴	\$ 34,396,461	47,680	\$ 721.40
2018	34,397,316	53,823	639.08
2017	32,558,148	51,888	627.47
2016	33,471,584	50,660	660.71
2015	31,439,245	45,191	695.70
2014	31,439,245	45,173	695.97

Note: The requirements for Schedule 6 were changed by THECB in fiscal year 2018.

¹The formula funding methodology was changed in fiscal year 2014 to include appropriations based on student success points. As such, appropriations per student

²State Funded Contact Hour Appropriations as it appears in Statistical Supplement 6a

³Source: THECB - Ten Pay Schedule (unweighted).

⁴The weights presented in this model comply with the weights listed in the General Appropriations Act, HB1, 84th Texas Legislature, Section 20 (page III-206). Prior versions of this model were distributed with weights that varied from those in the GAA.

Statistical Supplement 6e
Student Success Points (SSP)
Last Six Fiscal Years¹
(Unaudited)

Success Point Elements ²	2019	2018	2017	2016	2015	2014*
Math Readiness	1,484	1,867	1,939	1,857	1,289	1,307
Read Readiness	698	1,655	1,658	1,470	1,229	1,488
Write Readiness	731	1,058	1,618	1,516	1,222	1,650
Students Who Pass FCL Math Course	5,859	6,586	6,370	6,251	5,654	5,673
Students Who Pass FCL Read Course	3,546	8,520	8,048	8,016	7,366	5,894
Students Who Pass FCL Write Course	3,101	7,151	6,776	6,801	6,261	5,545
Students Who Complete 15 SCH	9,616	9,919	9,861	10,364	8,574	9,911
Students Who Complete 30. SCH	5,631	6,807	6,423	6,083	5,011	5,798
Student Transfers to a 4-Yr Inst	5,875	3,037	3,029	2,593	3,202	3,017
Degrees, CCCs, or Certs (Undup)	6,783	5,416	4,309	3,760	3,428	2,987
Degrees or Certs in Critical Fields	4,355	1,807	1,857	1,949	1,955	1,903
Annual Success Points - Total	47,680	53,823	51,888	50,660	45,191	45,173

Note: The requirements for Schedule 6 were changed by THECB in fiscal year 2018.

¹Appropriations per student success point are not applicable for fiscal years prior to 2014. Schedule is intended to include 10 years, additional years will be presented as they become available.

²These are annual weighted SSP, not 3-year rolling averages.

*Formula funding methodology changed in Fiscal Year 2014.

The weights presented in this model comply with the weights listed in the General Appropriations Act, HB1, 84th Texas Legislature, Section 20 (page III-206). Prior versions of this model were distributed with weights that varied from those in the GAA.

Source: THECB - Ten Pay Schedule (unweighted).

Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)

Taxpayer ¹	Type of Business	Taxable Assessed Value (TAV) by Tax Year			
		2019	2018	2017	2016
AEP Texas Inc.	Electric Utility	\$ 404,804,330	\$ 352,495,470	\$ -	\$ -
EDP Renewables NA-Los Mirasole	Electric Utility	283,318,230	234,782,400	-	-
Merit Energy Company	Electric Utility	159,177,822	230,641,575	-	-
South Texas Elec Coop-Red Gate	Electric Utility	153,130,490	153,130,490	71,187,500	-
Simon Property Group - McAllen No.2	Development	135,839,131	154,055,359	121,013,266	115,303,024
Merit Energy LTD	Electric Utility	132,743,560	-	-	-
H. E. Butt Grocery Company	Grocery Chain	104,522,304	114,446,193	106,142,740	105,032,930
Electric Transmission of Texas	Electric Utility	103,752,010	100,423,530	-	-
CPG Mercedes LP	Real Estate	89,891,425	79,979,184	71,900,000	71,900,000
Net Pipeline Partners LLC	Pipeline	79,214,920	68,130,000	61,062,170	-
AEP Electric Transmission of Texas	Electric Utility	75,178,960	84,059,570	-	-
Big Sky Commercial Property	Commercial	61,421,881	-	-	-
McAllen Levcal LLC	Development	60,056,707	58,275,372	-	-
Frontera Generation LTD Ptnshp	Land & Improvements	56,052,250	57,631,060	61,378,270	60,508,140
Magic Valley Electric Co-op	Electric Utility	56,017,320	-	-	-
Los Vientos Windpower IV, LLC	Electric Utility	-	308,100,000	-	-
Los Vientos Windpower III, LLC	Electric Utility	-	287,000,000	325,864,600	227,904,960
Los Vientos Windpower V, LLC	Electric Utility	-	146,599,970	86,150,000	-
AEP Texas Central Co.	Electric Utility	-	-	294,465,210	294,682,640
OXY USA Inc.	Oil & Gas	-	-	120,816,900	379,446,207
Walmart Stores	Retail Store	-	-	58,267,204	83,501,468
Rio Grande Regional Hospital	Hospital	-	-	54,728,656	54,415,269
Calpine Const Fin (Magic VY GN)	Electric Utility	-	-	54,720,720	61,014,790
Day Surgery at Renaissance LLC	Healthcare	-	-	49,580,969	94,283,759
Southwestern Bell Telephone	Utility	-	-	48,706,030	-
Sharyland Utilities LP	Electric Utility	-	-	-	64,409,510
Cantera Operating LLC	Real Estate	-	-	-	63,232,029
NET Mexico Pipeline	Pipeline	-	-	-	50,433,870
Universal Health Services	Healthcare	-	-	-	46,786,593
Palm Crossing Town Center LLC	Real Estate	-	-	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Legend Natural Gas LLP	Oil & Gas	-	-	-	-
Chevron U.S.A. Inc.	Oil & Gas	-	-	-	-
Kerr-McGee Oil & Gas Onshore	Oil & Gas	-	-	-	-
Shell Western E&G Inc.	Oil & Gas	-	-	-	-
Smith Production Inc.	Oil & Gas	-	-	-	-
Totals		1,955,121,340	2,429,750,173	1,585,984,235	1,772,855,189
Total Taxable Assessed Value		\$ 38,381,832,847	\$ 36,596,147,819	\$ 34,902,217,340	\$ 33,304,492,691

Sources:

First Southwest Company: Table 5 - Fifteen Largest Taxpayers, pg. 4

South Texas College District CAFR (Fiscal Year Ended August 31, 2018): Note 18 - Ad Valorem Tax

Notes:

¹ Includes both Starr and Hidalgo Counties

Taxable Assessed Value (TAV) by Tax Year

2015	2014	2013	2012	2011	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
85,303,024	61,802,878	51,503,892	50,708,897	50,944,799	50,944,799
-	-	-	-	-	-
104,974,764	99,587,906	97,514,949	100,817,846	114,289,734	114,289,734
-	-	-	-	-	-
71,900,000	59,259,989	59,589,853	59,589,853	60,625,220	60,625,220
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
67,964,220	63,178,400	69,157,000	70,561,190	82,100,300	82,100,300
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
261,746,510	240,344,300	193,373,940	186,023,180	174,591,370	174,591,370
480,051,211	417,907,900	379,637,700	570,009,910	-	-
111,616,706	110,650,697	87,206,008	85,068,298	104,810,618	104,810,618
54,415,269	56,328,437	56,871,910	52,965,623	66,677,559	66,677,559
65,093,830	64,184,330	73,089,400	69,200,480	87,490,000	87,490,000
96,644,921	87,177,604	88,878,995	-	-	-
51,319,700	53,302,090	54,950,030	70,080,780	93,005,380	93,005,380
67,452,860	56,941,250	51,663,190	-	-	-
64,113,853	-	-	-	-	-
-	-	-	-	-	-
46,786,593	52,246,584	53,599,944	54,844,645	83,905,804	83,905,804
41,915,932	-	-	-	-	-
-	86,226,095	110,119,062	123,772,278	233,251,590	233,251,590
-	62,055,660	78,265,270	66,012,120	-	-
-	-	-	52,344,210	194,500,240	194,500,240
-	-	-	48,146,650	107,433,880	107,433,880
-	-	-	-	697,953,120	697,953,120
-	-	-	-	153,359,110	153,359,110
1,671,299,393	1,571,194,120	1,505,421,143	1,660,145,960	2,304,938,724	2,304,938,724
\$ 30,965,159,425	\$ 30,246,199,691	\$ 29,645,534,071	\$ 29,518,175,339	\$ 30,089,658,977	\$ 30,304,183,226

(Continued)

Statistical Supplement 7
Principal Taxpayers
Last Ten Tax Years
(unaudited)

Taxpayer ¹	Type of Business	% of Taxable Assessed Value (TAV) by Tax Year			
		2019	2018	2017	2016
AEP Texas Inc.	Electric Utility	1.05%	0.96%	-	-
EDP Renewables NA-Los Mirasole	Electric Utility	0.74%	0.64%	-	-
Merit Energy Company	Electric Utility	0.41%	0.63%	-	-
South Texas Elec Coop-Red Gate	Electric Utility	0.40%	0.42%	0.20%	-
Simon Property Group - McAllen No.2	Development	0.35%	0.42%	0.35%	0.35%
Merit Energy LTD	Electric Utility	0.35%	-	-	-
H. E. Butt Grocery Company	Grocery Chain	0.27%	0.31%	0.30%	0.32%
Electric Transmission of Texas	Electric Utility	0.27%	0.27%	-	-
CPG Mercedes LP	Real Estate	0.23%	0.22%	0.21%	0.22%
Net Pipeline Partners LLC	Pipeline	0.21%	0.19%	0.17%	-
AEP Electric Transmission of Texas	Electric Utility	0.20%	0.23%	-	-
Big Sky Commercial Property	Commercial	0.16%	-	-	-
McAllen Levcal LLC	Development	0.16%	0.16%	-	-
Frontera Generation LTD Ptnshp	Land & Improvements	0.15%	0.16%	0.18%	0.18%
Magic Valley Electric Co-op	Electric Utility	0.15%	-	-	-
Los Vientos Windpower IV, LLC	Electric Utility	-	0.84%	-	-
Los Vientos Windpower III, LLC	Electric Utility	-	0.78%	0.93%	0.68%
Los Vientos Windpower V, LLC	Electric Utility	-	0.40%	0.25%	-
AEP Texas Central Co.	Electric Utility	-	-	0.84%	0.88%
OXY USA Inc.	Oil & Gas	-	-	0.35%	1.14%
Walmart Stores	Retail Store	-	-	0.17%	0.25%
Rio Grande Regional Hospital	Hospital	-	-	0.16%	0.16%
Calpine Const Fin (Magic VY GN)	Electric Utility	-	-	0.16%	0.18%
Day Surgery at Renaissance LLC	Healthcare	-	-	0.14%	0.28%
Southwestern Bell Telephone	Utility	-	-	0.14%	-
Sharyland Utilities LP	Electric Utility	-	-	-	0.19%
Cantera Operating LLC	Real Estate	-	-	-	0.19%
NET Mexico Pipeline	Pipeline	-	-	-	0.15%
Universal Health Services	Healthcare	-	-	-	0.14%
Palm Crossing Town Center LLC	Real Estate	-	-	-	-
El Paso Production Oil & Gas	Oil & Gas	-	-	-	-
Legend Natural Gas LLP	Oil & Gas	-	-	-	-
Chevron U.S.A. Inc.	Oil & Gas	-	-	-	-
Kerr-McGee Oil & Gas Onshore	Oil & Gas	-	-	-	-
Shell Western E&G Inc.	Oil & Gas	-	-	-	-
Smith Production Inc.	Oil & Gas	-	-	-	-
Totals		5.10%	6.63%	4.55%	5.31%

Sources:
First Southwest Company: Table 5 - Fifteen Largest Taxpayers, pg. 4

Notes:
¹ Includes both Starr and Hidalgo Counties

(Continued)

% of Taxable Assessed Value (TAV) by Tax Year					
2015	2014	2013	2012	2011	2010
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.28%	0.20%	0.17%	0.17%	0.17%	0.17%
-	-	-	-	-	-
0.34%	0.33%	0.33%	0.34%	0.38%	0.38%
-	-	-	-	-	-
0.23%	0.20%	0.20%	0.20%	0.20%	0.20%
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.22%	0.21%	0.23%	0.24%	0.27%	0.27%
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
0.85%	0.79%	0.65%	0.63%	0.58%	0.58%
1.55%	1.38%	1.28%	1.93%	-	-
0.36%	0.37%	0.29%	0.29%	0.35%	0.35%
0.18%	0.19%	0.19%	0.18%	0.22%	0.22%
0.21%	0.21%	0.25%	0.23%	0.29%	0.29%
0.31%	0.29%	0.30%	-	-	-
0.17%	0.18%	0.19%	0.24%	0.31%	0.31%
0.22%	0.19%	0.17%	-	-	-
0.21%	-	-	-	-	-
-	-	-	-	-	-
0.15%	0.17%	0.18%	0.19%	0.28%	0.28%
0.14%	-	-	-	-	-
-	0.29%	0.37%	0.42%	0.77%	0.77%
-	0.21%	0.26%	0.22%	-	-
-	-	-	0.18%	0.64%	0.64%
-	-	-	0.16%	0.36%	0.36%
-	-	-	-	2.31%	2.31%
-	-	-	-	0.51%	0.51%
5.42%	5.21%	5.06%	5.62%	7.64%	7.64%

Statistical Supplement 8
Property Tax Levies and Collections
Last Ten Tax Years
(unaudited)

Fiscal Year Ended August 31,	Original Levy (a)	Cumulative Levy Adjustment**	Adjusted Tax Levy (b)	Collections Year of Levy (c)	Percentage
2019	\$ 67,294,780	\$ 95,639	\$ 67,390,418	\$ 63,995,664	95.10%
2018	66,558,586	530,906	67,089,492	63,658,716	95.64%
2017	63,195,313	(5,431)	63,189,881	59,624,975	94.35%
2016	60,279,269	182,839	60,462,108	57,139,510	94.79%
2015	56,134,038	632,887	56,766,926	53,732,185	95.72%
2014	45,078,972	43,693	45,122,665	42,542,880	94.37%
2013	44,351,826	(144,562)	44,207,263	41,562,746	93.71%
2012	44,227,775	(140,773)	44,087,002	41,368,696	93.54%
2011	44,806,807	(74,998)	44,731,809	41,594,864	92.83%
2010	44,968,114	112,785	45,080,899	41,700,948	92.73%

Sources:

Hidalgo County and Starr County Tax Assessor/Collector and the District's records

(a) As reported in notes to the financial statements for the year of the levy, does not include Penalty & Interest

(b) As of August 31st of the current reporting year

(c) Property tax only - does not include Penalty & Interest

(d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy

(e) Represents current year collections of prior years levies

Total Collections = c + d + e + f

Notes:

*Includes rollback total collections

**Modifications to Levy provided by Hidalgo and Starr County, and Beginning Balance Adjustments

Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Penalty & Interest Collections (f)	Total Collections (g = c + d + e + f)	Cumulative Collections of Adjusted Levy (h = g / b)
\$ -	\$ -	\$ 710,665	\$ 64,706,329	96.02%
-	1,625,276 *	357,047 *	65,641,040	97.84%
1,728,678 *	541,672	193,798	62,089,124	98.26%
2,084,966	251,978	126,350	59,602,804	98.58%
2,148,762	133,462	81,613	56,096,022	98.82%
1,963,990	70,046	52,859	44,629,775	98.91%
2,132,970	48,375	47,301	43,791,392	99.06%
2,201,060	45,686	40,728	43,656,170	99.02%
2,597,576	39,779	39,835	44,272,054	98.97%
2,931,905	34,885	39,343	44,707,081	99.17%

Statistical Supplement 9
Ratios of Outstanding Debt
Last Ten Fiscal Years
(unaudited)

	For the Year Ended August 31,			
	2019	2018	2017	2016
General Bonded Debt				
General obligation bonds	\$ 148,812,889	\$ 156,832,917	\$ 167,532,403	\$ 178,297,054
Notes	-	-	-	-
Less: Funds restricted for debt service	(15,817,687)	(14,017,689)	(14,329,738)	(15,223,843)
Net General Bonded Debt	132,995,202	142,815,228	153,202,665	163,073,211
Other Debt				
Revenue bonds	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-
Capital lease obligations	-	-	-	-
Total Outstanding Debt	\$ 148,812,889	\$ 156,832,917	\$ 167,532,403	\$ 178,297,054
General Bonded Debt Ratios				
Per Capita (a)	\$ 126.59	\$ 139.35	\$ 153.34	\$ 179.27
Per FTSE (b)	6,383	6,606	7,134	7,527
As a percentage of taxable assessed value (c)	0.35%	0.39%	0.44%	0.49%
As a percentage of personal income (d)	0.50%	0.57%	0.62%	0.76%
Total Outstanding Debt Ratios				
Per Capita (a)	\$ 141.64	\$ 153.02	\$ 167.69	\$ 196.01
Per FTSE (b)	7,142	7,254	7,802	8,230
As a percentage of taxable assessed value (c)	0.39%	0.43%	0.48%	0.54%
As a percentage of personal income (d)	0.56%	0.63%	0.68%	0.83%

Notes:

- (a) Ratio calculated using current year district population from Statistical Supplement 12
- (b) Ratios calculated using the FTSE from Statistical Supplement 6b
- (c) Ratios calculated using the current Taxable Assessed Value Statistical Supplement 5
- (d) Ratios calculated using District Personal Income from Statistical Supplement 12

For the Year Ended August 31,

	2015		2014		2013		2012		2011		2010
\$	188,761,705	\$	97,817,879	\$	47,249,685	\$	56,569,741	\$	65,994,008	\$	73,749,384
	-		-		-		-		-		-
	(17,161,084)		(17,635,362)		(16,294,897)		(14,493,499)		(13,204,788)		(11,946,974)
	171,600,621		80,182,517		30,954,788		42,076,242		52,789,220		61,802,410

\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
	-		-		-		-		-		-
	-		-		-		-		-		-
\$	188,761,705	\$	97,817,879	\$	47,249,685	\$	56,569,741	\$	65,994,008	\$	73,749,384

\$	191.20	\$	90.61	\$	35.43	\$	48.87	\$	62.23	\$	73.95
	8,336		3,949		1,569		2,216		2,792		3,391
	0.55%		0.27%		0.10%		0.14%		0.18%		0.20%
	0.87%		0.43%		0.17%		0.35%		0.62%		0.75%

\$	210.33	\$	110.54	\$	54.08	\$	65.70	\$	77.80	\$	88.24
	9,170		4,817		2,395		2,979		3,491		4,047
	0.61%		0.32%		0.16%		0.19%		0.22%		0.24%
	0.96%		0.52%		0.26%		0.47%		0.77%		0.90%

Statistical Supplement 10
Legal Debt Margin Information
Last Ten Fiscal Years
(unaudited)

General Obligation Bonds

For the Year Ended August 31,	Taxable Assessed Value	Statutory Tax Levy Limit for Debt Service	Less: Funds Restricted for Repayment	Total Net Debt	Current Year Debt Service Requirements	Excess of Statutory Limit for Debt Service over Current Requirements	Net Current Requirements as a % of Statutory Limit
2019	\$ 38,381,832,847	\$ 191,909,164	\$ (15,817,687)	\$ 176,091,477	\$ (13,728,356)	\$ 162,363,121	(1.09%)
2018	36,596,147,819	182,980,739	(14,017,689)	168,963,050	(13,726,756)	155,236,294	(0.16%)
2017	34,902,217,340	174,511,087	(14,329,738)	160,181,349	(16,669,606)	143,511,743	1.34%
2016	33,304,492,691	166,522,463	(15,223,843)	151,298,621	(17,068,156)	134,230,465	1.11%
2015	30,965,159,425	154,825,797	(17,161,084)	137,664,713	(17,430,990)	120,233,723	0.17%
2014	30,246,199,691	151,230,998	(17,635,362)	133,595,636	(14,901,182)	118,694,454	(1.81%)
2013	29,645,534,071	148,227,670	(16,294,897)	131,932,774	(11,139,750)	120,793,024	(3.48%)
2012	29,518,175,339	147,590,877	(14,493,499)	133,097,378	(11,151,900)	121,945,478	(2.26%)
2011	30,089,658,977	150,448,295	(13,204,788)	137,243,507	(11,148,943)	126,094,565	(1.37%)
2010	30,304,183,226	151,520,916	(11,946,974)	139,573,942	(11,150,535)	128,423,407	(0.53%)

Sources:

Texas Education Code Section 130.122
Hidalgo County and Starr County Tax Assessor and Collector

Notes:

Texas Education Code Section 130.122 limits the debt service tax levy of community colleges to \$0.50 per hundred dollars taxable assessed valuation.

Statistical Supplement 11
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Statistical Supplement 11 required by THECB is not applicable to South Texas College District.

Statistical Supplement 12
Demographic and Economic Statistics - Taxing District
Last Ten Fiscal Years
(unaudited)

Calendar Year	District Population (a)	Hidalgo County Median Household Money Income (b)	Hidalgo County Median Household Money Income (b)	Starr County Median Household Money Income (c)	District Median Household Money Income (d = (b+c) / 2)	Hidalgo County Personal Income Per Capita (e)	Starr County Personal Income Per Capita (f)
2019	1,050,627 (7)	\$ 41,309 (5)	\$ 41,309 (5)	\$ 31,103 (5)	\$ 36,206	\$ 25,617 (1, 6)	\$ 24,981 (1, 6)
2018	1,024,901 (7)	38,653 (5)	38,653 (5)	29,063 (5)	33,858	24,805 (1, 6)	24,140 (1, 6)
2017	999,080 (7)	38,795 (5)	38,795 (5)	29,456 (5)	34,126	24,579 (1, 6)	24,540 (1, 6)
2016	909,653 (7)	36,620 (5)	36,620 (5)	27,007 (5)	31,814	23,753 (1, 6)	23,215 (1, 6)
2015	897,472 (2)	35,036 (5)	35,036 (5)	25,696 (5)	30,366	23,073 (1, 6)	20,811 (1, 6)
2014	884,888 (2)	34,140 (5)	34,140 (5)	26,714 (5)	30,427	22,400 (1, 6)	19,866 (1, 6)
2013	873,715 (2)	33,839 (5)	33,839 (5)	26,017 (5)	29,928	21,620 (1)	19,235 (1)
2012	860,992 (2)	32,471 (5)	32,471 (5)	24,741 (5)	28,606	16,272 (1)	11,980 (1)
2011	848,228 (2)	33,558 (4)	33,558 (4)	19,931 (4)	26,745	12,056 (4)	8,099 (4)
2010	835,737 (2, 3)	30,593 (4)	30,593 (4)	19,536 (4)	25,065	11,769 (4)	7,908 (4)

Sources:

- (1) Texas Labor Market Information (TWC)
- (2) Office of the State Demographer
- (3) U.S. Census Bureau
- (4) Economic Development Intelligence System
- (5) Zoom Prospector
- (6) FRED Economic Data & Research - Federal Reserve Bank of St. Louis
- (7) First Southwest Company

District Personal Income Per Capita (g = (e+f) / 2)	District Wide Personal Income (Thousands of Dollars) (h = (a*g) / 1000)	Hidalgo County Unemployment Rate (i)	Starr County Unemployment Rate (j)	District Unemployment Rate (k)	State Unemployment Rate (l)	National Unemployment Rate (1) (m)
\$ 25,299	\$ 26,579,812	6.40% (1)	10.00% (1)	8.20%	3.60% (1)	3.80%
24,473	25,082,402	6.60% (1)	9.10% (1)	7.85%	3.90% (1)	3.90%
24,560	24,537,405	8.00% (1)	11.10% (1)	9.55%	4.50% (1)	4.50%
23,484	21,362,291	8.40% (1, 7)	14.10% (1, 7)	11.25%	5.00% (1, 7)	5.00%
21,942	19,692,331	8.00% (1, 7)	13.20% (1, 7)	10.60%	4.50% (1, 7)	5.20%
21,133	18,700,338	9.15% (1, 7)	13.45% (1, 7)	11.30%	5.10% (1, 7)	5.70%
20,428	17,848,250	10.80% (1, 7)	15.00% (1, 7)	12.90%	6.35% (1, 7)	7.30%
14,126	12,162,373	11.70% (1, 7)	14.70% (1, 7)	13.20%	7.05% (1, 7)	8.20%
10,078	8,548,442	12.60% (1, 7)	16.80% (1, 7)	14.70%	8.50% (1, 7)	9.10%
9,839	8,222,816	12.10% (1, 7)	17.90% (1, 7)	15.00%	8.50% (1, 7)	9.60%

Statistical Supplement 13
Principal Employers
(unaudited)

Employer	2019		Employer	2010	
	Number of Employees	Percentage of Total Employment		Number of Employees	Percentage of Total Employment
H-E-B ^{1*}	6,155	1.81%	P.S.J.A. Independent School District	3,987	1.81%
University of Texas Rio Grande Valley	5,822	1.71%	Edinburg Consolidated I.S.D.	3,684	1.67%
Wal-Mart*	5,098	1.50%	H-E-B	3,658	1.66%
Edinburg Consolidated I.S.D.	4,878	1.44%	McAllen Independent School District	3,627	1.64%
Doctor's Hospital at Renaissance	4,700	1.38%	University of Texas - Pan American	3,429	1.55%
La Joys ISD	4,306	1.27%	La Joya I.S.D.	3,198	1.45%
Pharr-San Juan-Alamo I.S.D.	4,297	1.26%	Hidalgo County	3,090	1.40%
Hidalgo County ²	3,950	1.16%	South Texas Health System	2,642	1.20%
McAllen Independent School District	3,385	1.00%	Weslaco I.S.D.	2,587	1.17%
South Texas Health System	3,000	0.88%	Mission Consolidated I.S.D.	2,451	1.11%
Totals	45,591	13.70%	Totals	32,353	14.66%

Sources:
Hidalgo County 2018 CAFR
Starr County Industrial Foundation
STC 2010 CAFR

Notes:
Total employment as of August 2019 for the district was 349,628. Based on latest economic indicators, provided by the Texas Workforce

¹ Includes Hidalgo County and Starr County. Starr County data not found for 2018, used 2016.

² Total number of employees includes Hidalgo County and County related agencies.

* Starr County employee data presented in range; calculated average for each employer.

Statistical Supplement 14
Faculty, Staff, and Administrators Statistics
Last Ten Fiscal Years
(unaudited)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Faculty										
Full-Time	639	664	618	598	586	420	530	526	552	446
Part-Time	478	447	426	397	135	177	146	192	197	194
Total	1,117	1,111	1,044	995	721	597	676	718	749	640
Percent										
Full-Time	57.2%	59.8%	59.2%	60.1%	81.3%	70.4%	78.4%	73.3%	73.7%	69.7%
Part-Time	42.8%	40.2%	40.8%	39.9%	18.7%	29.6%	21.6%	26.7%	26.3%	30.3%
Staff and Administrators										
Full-Time	1,070	1,027	913	846	808	794	698	710	720	718
Part-Time	336	451	467	415	522	547	446	426	408	428
Total	1,406	1,478	1,380	1,261	1,330	1,341	1,144	1,136	1,128	1,146
Percent										
Full-Time	76.1%	69.5%	66.2%	67.1%	60.8%	59.2%	61.0%	62.5%	63.8%	62.7%
Part-Time	23.9%	30.5%	33.8%	32.9%	39.2%	40.8%	39.0%	37.5%	36.2%	37.3%
Total										
Full-Time	1,709	1,691	1,531	1,444	1,394	1,214	1,228	1,236	1,272	1,164
Part-Time	814	898	893	812	657	724	592	618	605	622
Total	2,523	2,589	2,424	2,256	2,051	1,938	1,820	1,854	1,877	1,786
Percent										
Full-Time	67.7%	65.3%	63.2%	64.0%	68.0%	62.6%	67.5%	66.7%	67.8%	65.2%
Part-Time	32.3%	34.7%	36.8%	36.0%	32.0%	37.4%	32.5%	33.3%	32.2%	34.8%
FTSE per Full-time Faculty										
	32.6	32.6	34.7	36.2	35.1	48.3	37.2	36.1	34.2	40.9
FTSE per Full-Time Staff Member										
	19.5	21.1	23.5	25.6	25.5	25.6	28.3	26.7	26.3	25.4
FTSE*										
	20,835	21,619	21,474	21,665	20,585	20,306	19,729	18,991	18,904	18,224
Average Annual Faculty Salary**										
	\$ 75,574	\$ 72,413	\$ 71,305	\$ 70,100	\$ 66,666	\$ 66,383	\$ 56,701	\$ 52,051	\$ 52,435	\$ 56,880

Sources:
South Texas College District Office of Human Resources

Notes:
*Student FTSE was obtained from Statistical Supplement 6b and FY14 Formula Funding Changed Methodology.
**Average annual faculty salary includes annualized salaries for faculty under nine month contract and FY15 Formula Funding Changed Methodology.

Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Academic

Student Classification	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
00-30 hours	20,131	63.63%	19,830	63.21%	22,276	67.41%	23,509	69.16%	20,911	67.79%
31-60 hours	9,076	28.69%	9,335	29.75%	8,884	26.89%	8,549	25.15%	7,996	25.92%
> 60 hours	2,433	7.68%	2,209	7.04%	1,884	5.70%	1,936	5.69%	1,942	6.29%
Total	31,640	100.00%	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%

Semester Hour Load	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Less than 3	171	0.54%	129	0.41%	132	0.40%	83	0.24%	79	0.26%
3-5 semester hours	7,149	22.59%	7,168	22.85%	8,906	26.95%	9,918	29.18%	8,377	27.15%
6-8 semester hours	8,483	26.81%	8,079	25.75%	8,408	25.44%	8,376	24.64%	7,416	24.04%
9-11 semester hours	6,891	21.78%	6,812	21.71%	6,531	19.76%	6,465	19.02%	6,274	20.34%
12-14 semester hours	7,694	24.32%	7,914	25.22%	7,673	23.22%	7,686	22.61%	7,483	24.26%
15-17 semester hours	1,156	3.65%	1,151	3.67%	1,236	3.74%	1,300	3.82%	1,084	3.51%
18 & over	96	0.31%	121	0.39%	158	0.49%	166	0.49%	136	0.44%
Total	31,640	100.00%	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%

Average course load 8.49 8.57 8.28 7.58 8.36

Tuition Status	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Texas Resident (in-District)	29,691	93.84%	29,364	93.59%	30,925	93.59%	31,881	93.78%	29,057	94.19%
Texas Resident (out-of-District)	814	2.57%	756	2.41%	738	2.23%	682	2.01%	683	2.21%
Non-Resident Tuition	1,135	3.59%	1,254	4.00%	1,381	4.18%	1,431	4.21%	1,109	3.60%
Total	31,640	100.00%	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%

Sources:
CBM001

Statistical Supplement 15
Enrollment Details
Last Five Fiscal Years
(unaudited)

Continuing Education

Student Classification <u>(Contact Hours)</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Continuing Education (CE)	1,199	100.00%	1,364	100.00%	1,124	100.00%	1,426	21.43%	5,798	98.98%
CE Not State Funded	-	-	-	-	-	-	5,229	78.57%	60	1.02%
Inter-Institutional	-	-	-	-	-	-	-	-	-	-
Total	1,199	100.00%	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%

<u>Contact Hour Load</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Less than 3	-	-	55	4.03%	-	-	-	-	-	-
3-5 semester hours	-	-	-	-	-	-	1	0.01%	-	-
6-8 semester hours	130	10.84%	129	9.46%	39	3.47%	67	1.01%	92	1.57%
9-11 semester hours	16	1.33%	49	3.59%	4	0.36%	39	0.59%	2	0.03%
12-14 semester hours	141	11.76%	124	9.09%	150	13.35%	238	3.58%	233	3.98%
15-17 semester hours	108	9.01%	66	4.84%	3	0.27%	27	0.40%	11	0.19%
18 & over	804	67.06%	941	68.99%	928	82.55%	6,283	94.41%	5,520	94.23%
Total	1,199	100.00%	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%

Average course load 46.43 44.71 55.69 66.05 66.55

<u>Tuition Status</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Both contact and non-contact courses	-	-	-	-	-	-	-	-	-	-
Contact course(s) only	-	-	-	-	-	-	-	-	-	-
Non-contact course(s) only	1,199	100.00%	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%
Total	1,199	100.00%	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%

Sources:
CBM00A

Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

Academic

Gender	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Female	17,862	56.45%	17,421	55.53%	18,304	55.39%	18,999	55.89%	17,476	56.65%
Male	13,778	43.55%	13,953	44.47%	14,740	44.61%	14,995	44.11%	13,373	43.35%
Total	31,640	100.00%	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%

Ethnic Origin	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
White	702	2.22%	756	2.41%	920	2.78%	979	2.88%	880	2.85%
Hispanic	30,107	95.15%	29,668	94.56%	31,130	94.21%	31,865	93.74%	28,829	93.45%
African American	94	0.30%	97	0.31%	84	0.25%	85	0.25%	90	0.29%
Asian	258	0.82%	282	0.90%	285	0.86%	265	0.78%	259	0.84%
Foreign	79	0.25%	107	0.34%	114	0.34%	100	0.29%	76	0.25%
Native American	18	0.06%	19	0.06%	16	0.05%	18	0.05%	16	0.05%
Unknown	382	1.21%	445	1.42%	495	1.51%	682	2.01%	699	2.27%
Total	31,640	100.00%	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%

Age	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Under 18	12,652	39.99%	11,456	36.51%	13,404	40.56%	14,501	42.66%	11,954	38.75%
18 - 21	11,111	35.12%	11,518	36.71%	11,258	34.07%	10,955	32.22%	10,508	34.06%
22 - 24	2,886	9.12%	3,209	10.23%	3,151	9.54%	3,164	9.31%	3,136	10.17%
25 - 35	3,567	11.27%	3,748	11.95%	3,827	11.58%	3,901	11.48%	3,775	12.24%
36 - 50	1,283	4.05%	1,298	4.14%	1,265	3.83%	1,309	3.85%	1,311	4.25%
51 & over	141	0.45%	145	0.46%	139	0.42%	164	0.48%	165	0.53%
Unknown	-	-	-	-	-	-	-	-	-	-
Total	31,640	100.00%	31,374	100.00%	33,044	100.00%	33,994	100.00%	30,849	100.00%

Average Age	20.4	20.7	20.4	20.3	20.7
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Sources:
CBM001

Statistical Supplement 16
Student Profile
Last Five Fiscal Years
(unaudited)

Continuing Education

<u>Gender</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Female	816	68.06%	842	61.73%	785	69.84%	3,613	54.29%	3,069	52.39%
Male	383	31.94%	522	38.27%	339	30.16%	3,042	45.71%	2,789	47.61%
Total	1,199	100.00%	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%

<u>Ethnic Origin</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
White	20	1.67%	17	1.25%	20	1.78%	148	2.22%	109	1.86%
Hispanic	1,031	85.99%	1,183	86.73%	752	66.90%	3,688	55.42%	3,755	64.10%
African American	1	0.08%	3	0.22%	-	-	11	0.16%	6	0.10%
Asian	3	0.26%	6	0.44%	5	0.44%	10	0.15%	26	0.44%
Foreign	1	0.08%	1	0.07%	-	-	-	-	1	0.02%
Native American	1	0.08%	-	-	-	-	3	0.05%	5	0.09%
Unknown	142	11.84%	154	11.29%	347	30.88%	2,795	42.00%	1,956	33.39%
Total	1,199	100.00%	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%

<u>Age</u>	Fall 2018		Fall 2017		Fall 2016		Fall 2015		Fall 2014	
	Number	Percent								
Under 18	18	1.50%	-	0.00%	2	0.18%	5,159	77.52%	4,275	72.98%
18 - 21	111	9.26%	107	7.84%	145	12.90%	447	6.72%	456	7.78%
22 - 24	80	6.67%	78	5.72%	86	7.65%	129	1.94%	124	2.12%
25 - 35	301	25.10%	409	29.99%	338	30.07%	323	4.85%	404	6.90%
36 - 50	487	40.62%	542	39.74%	431	38.35%	461	6.93%	480	8.19%
51 & over	202	16.85%	228	16.71%	122	10.85%	136	2.04%	119	2.03%
Unknown	-	-	-	-	-	-	-	-	-	-
Total	1,199	100.00%	1,364	100.00%	1,124	100.00%	6,655	100.00%	5,858	100.00%

Average Age 38.0 38.0 36.0 19.0 20.1

Sources:
CBM00A

Statistical Supplement 17
Transfers to Senior Institutions

Students as of Fall 2018

(includes only public senior colleges in Texas)

(unaudited)

	Transfer Student Count	Transfer Student Count	Transfer Student Count	Total of All Sample Transfer Students	% of All Sample Transfer Students
	<u>Academic</u>	<u>Technical</u>	<u>Tech-Prep</u>	<u>Students</u>	<u>Students</u>
1 The University of Texas - Rio Grande Valley	2,629	356	-	2,985	47.87%
2 South Texas College	839	691	-	1,530	24.54%
3 Texas A&M University	332	33	-	365	5.85%
4 Texas A&M University - Kingsville	239	21	-	260	4.17%
5 The University of Texas at Austin	200	29	-	229	3.67%
6 The University of Texas at San Antonio	184	20	-	204	3.27%
7 Texas State University	126	26	-	152	2.44%
8 Texas A&M University - Corpus Christi	67	7	-	74	1.19%
9 University of Houston	65	14	-	79	1.27%
10 Texas State Technical College - Harlingen	41	5	-	46	0.74%
11 Texas A&M International University	41	5	-	46	0.74%
12 Sam Houston State University	31	26	-	57	0.91%
13 Texas Tech University	24	5	-	29	0.47%
14 University of North Texas	24	5	-	29	0.47%
15 Texas A&M University System Health Science Center	20	-	-	20	0.32%
16 The University of Texas at Arlington	19	1	-	20	0.32%
17 Austin Community College	15	17	-	32	0.51%
18 Blinn College District	10	3	-	13	0.21%
19 Texas A&M University - San Antonio	10	1	-	11	0.18%
20 Del Mar College	8	3	-	11	0.18%
21 ACCD - Northwest Vista College	7	-	-	7	0.11%
22 Laredo College	6	1	-	7	0.11%
23 Texas Southmost College	6	4	-	10	0.16%
24 Houston Community College System	6	6	-	12	0.19%
25 University of Houston-Victoria	6	1	-	7	0.11%
	<u>4,955</u>	<u>1,280</u>	<u>-</u>	<u>6,235</u>	<u>100.00%</u>

Sources:

Texas Higher Education Data: ASALFS Students Pursuing Additional Education

ASALFS South Texas College - <http://www.txhighereddata.org/reports/performance/ctcasalf/ctcaddl/>

*Information for Transfer Student Count Tech-Prep not available

Notes:

Student count for South Texas College represents graduates or completers who have returned to pursue additional education at same institution.

In addition to the 4,955 Academy Students, 99 were transferred to 45 other Senior Institutions

In addition to the 1,280 Technical Students, 37 were transferred to 25 other Senior Institutions

Statistical Supplement 18
Capital Asset Information
Last Five Fiscal Years
(unaudited)

	Fiscal Year				
	2019	2018	2017	2016	2015
Academic buildings	32	32	24	23	23
Square footage	1,366,431	1,366,431	963,682	949,435	949,435
Academic portable buildings	38	33	35	35	43
Square footage	56,811	50,278	53,446	53,446	71,305
Libraries	4	4	3	3	3
Square footage	135,152	135,152	105,507	105,507	105,507
Number of volumes	138,082	139,047	143,535	141,913	139,465
Administrative and support buildings	14	14	13	13	13
Square footage	339,298	339,298	294,733	305,970	305,970
Administrative and support portable buildings	16	16	14	14	12
Square footage	21,724	21,724	18,556	18,556	15,124
Dining facilities	5	5	5	5	5
Square footage	20,479	20,479	15,343	15,343	15,343
Average daily customers*	755	683	902	993	1,544
Fitness facilities	2	2	2	2	2
Square footage	37,432	37,432	37,432	37,432	37,432
Plant facilities	4	4	2	1	1
Square footage	26,592	26,592	18,747	11,754	11,754
Transportation					
Automobiles	2	2	2	-	-
Automobiles - Instructional	20	20	20	25	30
Light trucks/vans	67	63	56	41	41
Light trucks/vans - Instructional	18	19	19	23	29
Heavy trucks/backhoe	12	6	5	3	2
Heavy trucks/backhoe - Instructional	5	5	5	5	6
Golf and forklift	72	59	38	29	28
Trailer	1	3	3	1	1
Shuttle buses	8	7	6	6	3

Sources:
South Texas College District Office of Facilities Planning and Construction
South Texas College District Fixed Assets Department

Notes:
* Does not include customers from Starr County Campus Cafeteria due to services being outsourced to Cactus Restaurant

Statistical Supplement 19
Changes in Net Position
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	2019	2018	2017	2016
Operating Revenues				
Tuition and fees (net of discounts)	\$ 22,589,007	\$ 21,657,866	\$ 23,129,705	\$ 21,452,743
Federal grants and contracts	4,660,747	4,304,540	4,490,675	3,889,497
State grants and contracts	4,701,165	4,108,972	4,076,652	3,266,315
Local grants and contracts	8,160,205	6,660,734	6,102,604	5,063,983
Non-governmental grants and contracts	2,022,875	2,538,696	2,061,438	2,487,482
Auxiliary enterprises	1,766,603	1,890,180	1,833,407	1,893,838
General operating revenues	665,435	704,996	603,343	729,855
Total Operating Revenues	44,566,037	41,865,984	42,297,824	38,783,713
Operating Expenses				
Instruction	92,144,487	77,741,287	70,879,518	66,249,496
Research	-	-	-	-
Public service	1,860,996	2,276,663	709,252	912,507
Academic support	23,030,399	18,306,332	17,101,883	16,333,241
Student services	14,602,287	11,722,551	11,228,508	11,477,740
Institutional support	32,251,981	26,803,724	26,074,788	23,138,061
Operations and maintenance of plant	21,534,803	20,048,333	15,977,257	14,064,638
Scholarships and fellowships	27,797,829	27,412,188	26,028,594	26,432,169
Auxiliary enterprises	3,451,000	3,355,013	2,529,295	1,562,463
Depreciation	12,009,110	9,917,643	7,262,313	6,966,274
Total Operating Expenses	228,682,892	197,583,734	177,791,408	167,136,589
Operating Loss	\$ (184,116,855)	\$ (155,717,750)	\$ (135,493,584)	\$ (128,352,876)

For the Fiscal Year Ended August 31,

	2015	2014	2013	2012	2011	2010
\$	21,373,162	\$ 20,488,244	\$ 21,051,377	\$ 19,583,509	\$ 18,281,708	\$ 17,153,615
	4,368,574	3,445,293	4,630,302	4,748,007	6,172,207	8,979,526
	4,068,944	4,246,315	5,160,704	6,794,060	6,335,567	6,711,706
	1,099,573	1,118,054	1,270,376	1,293,135	1,380,691	1,255,944
	5,235,358	4,949,832	3,113,960	2,740,134	2,796,686	2,200,618
	1,773,325	1,835,353	1,810,240	1,872,734	1,877,501	1,666,738
	1,308,903	645,811	621,264	439,642	545,846	1,988,232
	39,227,839	36,728,902	37,658,223	37,471,221	37,390,206	39,956,379
	60,820,171	59,447,106	57,766,578	53,899,805	57,359,050	55,454,200
	-	-	4,516	67,273	6,303	-
	1,205,480	829,711	903,735	736,507	640,673	2,460,617
	15,281,478	13,980,994	12,775,912	11,551,178	12,035,474	9,565,508
	10,969,940	10,403,814	10,090,241	9,681,946	9,939,104	10,264,591
	21,790,954	19,813,087	21,108,957	19,494,885	20,293,881	19,044,676
	13,675,484	12,563,250	9,486,934	9,459,757	10,270,614	10,437,077
	27,815,696	27,692,817	28,724,249	31,873,082	39,320,494	37,212,122
	1,403,408	1,388,716	1,383,521	1,418,145	1,421,243	1,524,084
	6,759,801	6,731,486	6,589,876	6,414,932	6,265,826	5,923,105
	159,722,412	152,850,981	148,834,519	144,597,510	157,552,662	151,885,980
\$	(120,494,573)	\$ (116,122,079)	\$ (111,176,296)	\$ (107,126,289)	\$ (120,162,456)	\$ (111,929,601)

(Continued)

Statistical Supplement 19
Changes in Net Position
Last Ten Fiscal Years
(unaudited)

	For the Fiscal Year Ended August 31,			
	2019	2018	2017	2016
Non-Operating Revenues (Expenses)				
State appropriations	\$ 49,608,274	\$ 47,940,649	\$ 45,315,830	\$ 46,077,235
Ad-valorem taxes				
Taxes for maintenance & operations	53,934,103	48,931,234	48,822,561	46,781,602
Taxes for debt service	14,694,007	15,656,580	15,652,143	15,016,847
Federal revenue, non-operating	59,341,569	60,276,808	55,666,373	54,858,852
Gifts	320,507	353,250	252,614	251,022
Investment income (net of investment expenses)	5,572,742	3,698,483	2,612,017	1,034,010
Insurance proceeds	425,000	14,959	149,634	-
Interest and capital related debt	(5,690,864)	(3,513,058)	(4,150,374)	(6,602,765)
Gain on disposal of capital assets	3,790	6,547	5,575	12,350
Loss on sale/disposal/return on capital assets	(114,727)	(838,031)	(5,886)	-
Non-capital construction costs	(2,025,830)	(11,107,175)	(3,548,465)	(1,911,123)
Bond costs amortization	(166,273)	(268,803)	(295,436)	(284,829)
Other non-operating revenues (expenses)	(178,068)	(65,224)	87,483	(320,767)
Net Non-Operating Revenues (Expenses)	175,724,230	161,086,219	160,564,069	154,912,434
Income before contributions, endowment and extraordinary item	(8,392,625)	5,368,469	25,070,485	26,559,559
Capital contributions	15,110	65,259	47,629	4,515,864
Additions (deductions) to permanent and term endowment	-	-	-	-
Special item	-	-	-	-
Extraordinary item	-	-	-	-
Increase in net position	(8,377,515)	5,433,728	25,118,114	31,075,423
Net position - beginning of year, as restated	386,380,647	396,395,889	371,277,775	340,202,352
Cumulative effect of change in accounting principle	-	(15,448,970)	-	-
Net Position - End of Year	\$ 378,003,132	\$ 386,380,647	\$ 396,395,889	\$ 371,277,775

(Continued)

For the Fiscal Year Ended August 31,					
2015	2014	2013	2012	2011	2010
\$ 42,858,200	\$ 42,766,020	\$ 38,977,829	\$ 37,017,673	\$ 36,676,953	\$ 37,514,938
43,951,580	33,983,319	32,403,363	33,244,142	33,798,861	34,314,946
14,105,277	12,291,870	12,030,232	12,276,741	12,187,090	12,197,541
54,881,496	55,351,962	57,151,307	61,950,136	66,972,554	59,089,947
305,146	323,100	351,843	418,605	309,868	663,193
144,206	214,915	389,519	417,075	327,497	388,426
24,282	-	-	-	-	-
(5,964,767)	(1,340,664)	(1,513,884)	(1,821,871)	(2,054,633)	(2,986,702)
-	-	-	2,793	-	-
(240,389)	(10,154)	(217)	-	(3,500)	(4,698)
(1,731,576)	(1,715,994)	(849,455)	(1,400,934)	(464,503)	(2,268,529)
(1,166,614)	(873,317)	(566,261)	(536,677)	(496,724)	(353,037)
(274,655)	(172,844)	(290,477)	(500,835)	(396,032)	(673,262)
146,892,186	140,818,213	138,083,799	141,066,848	146,857,431	137,882,763
26,397,613	24,696,134	26,907,503	33,940,559	26,694,975	25,953,162
66,908	105,190	83,298	22,740	732,061	1,248,559
-	-	-	(4,700)	300	-
-	-	-	-	-	-
1,987,665	(2,655,340)	(4,230,489)	2,010,294	-	-
28,452,186	22,145,984	22,760,312	35,968,893	27,427,336	27,201,721
337,541,511	315,848,253	293,087,941	257,119,048	229,691,712	202,489,991
(25,791,345)	(452,726)	-	-	-	-
\$ 340,202,352	\$ 337,541,511	\$ 315,848,253	\$ 293,087,941	\$ 257,119,048	\$ 229,691,712

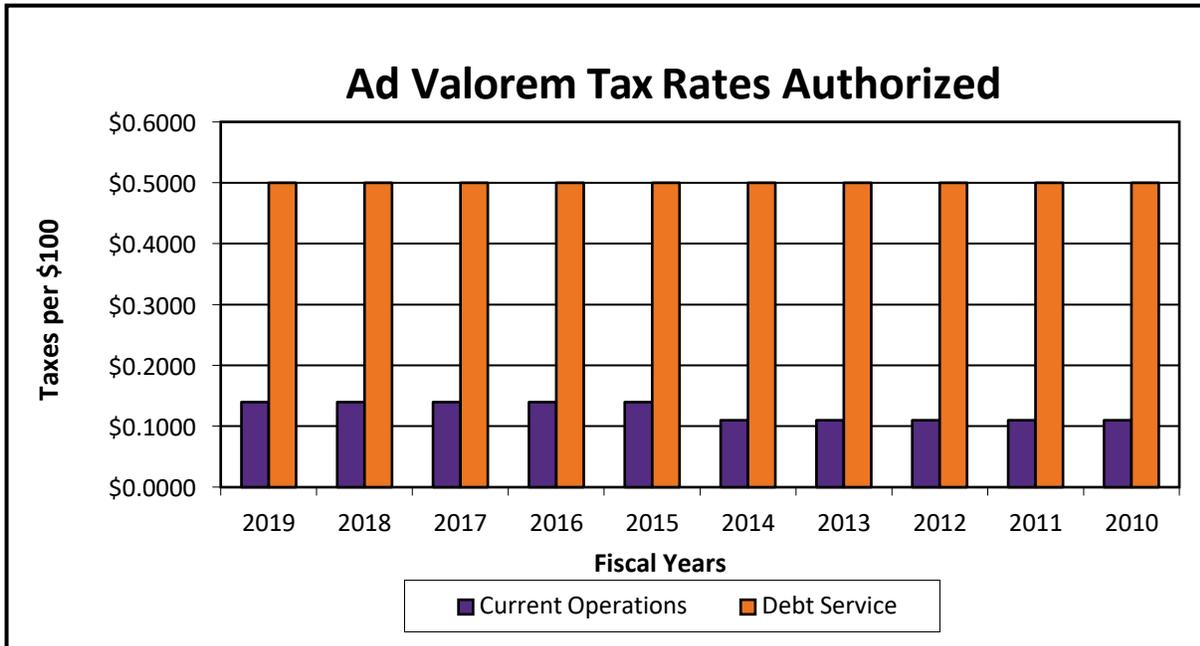


SOUTH TEXAS COLLEGE

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Statistical Supplement 20
Ad Valorem Tax Rates Authorized
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Current Operations	Debt Service	Total
2019	\$ 0.1400	\$ 0.5000	\$ 0.6400
2018	0.1400	0.5000	0.6400
2017	0.1400	0.5000	0.6400
2016	0.1400	0.5000	0.6400
2015	0.1400	0.5000	0.6400
2014	0.1100	0.5000	0.6100
2013	0.1100	0.5000	0.6100
2012	0.1100	0.5000	0.6100
2011	0.1100	0.5000	0.6100
2010	0.1100	0.5000	0.6100



Sources:
Texas Constitution and Statutes, Education Code (Debt Service)
South Texas College District Tax Order Resolution (Current Operations)

Statistical Supplement 21
Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years
(unaudited)

Governmental Subdivision	Percent Applicable*	Tax Year 2018	Tax Year 2017	Tax Year 2016	Tax Year 2015
South Texas College	100.00%	\$0.178000	\$0.185000	\$0.185000	\$0.185000
HIDALGO COUNTY					
Cities:					
Alamo	100.00%	0.581700	0.556500	0.581000	0.588100
Alton	-	0.444000	0.444000	0.449000	0.454000
Donna	100.00%	0.798855	0.798855	0.982828	0.982828
Edcouch	-	0.968700	0.915400	0.928600	0.928600
Edinburg	100.00%	0.635000	0.635000	0.635000	0.635000
Elsa	-	0.882200	0.901800	0.917700	0.856600
Granjeno	-	0.460700	0.446900	0.441900	0.425100
Hidalgo	100.00%	0.351400	0.351400	0.351400	0.351400
La Joya	100.00%	0.566800	0.525100	0.539400	0.543500
La Villa	100.00%	0.783600	0.783600	0.783600	0.783600
McAllen	100.00%	0.479234	0.476300	0.476300	0.476300
Mercedes	100.00%	0.745000	0.745000	0.745000	0.755000
Mission	100.00%	0.486200	0.486200	0.496200	0.498800
Palmview	-	0.500100	0.500100	0.475100	0.475100
Penitas	100.00%	0.556200	0.556200	0.506000	0.506000
Pharr	100.00%	0.649000	0.649000	0.654000	0.654000
Progreso	100.00%	0.812900	0.784000	0.796100	0.806100
San Juan	100.00%	0.699300	0.699300	0.699300	0.699300
Sullivan City	-	0.500000	0.500000	0.460600	0.466800
Weslaco	100.00%	0.666700	0.666700	0.666700	0.676700
School Districts:					
Donna ISD	100.00%	1.258200	1.258200	1.258200	1.258200
Edcouch-Elsa ISD	100.00%	1.258000	1.258000	1.258000	1.258000
Edinburg CISD	100.00%	1.239800	1.239800	1.239800	1.239800
Hidalgo ISD	100.00%	1.470000	1.470000	1.490000	1.530000
La Joya ISD	100.00%	1.311000	1.311000	1.311000	1.311000
La Villa ISD	100.00%	1.483800	1.303800	1.303800	1.303800
Lyford CISD	1.68%	1.320000	1.310000	1.280000	1.280000
McAllen ISD	100.00%	1.155000	1.155000	1.155000	1.155000
Mercedes ISD	100.00%	1.380000	1.380000	1.380000	1.380000
Mission CISD	100.00%	1.339800	1.350200	1.358200	1.367200
Monte Alto ISD	100.00%	1.350000	1.350000	1.350000	1.350000
PSJA ISD	100.00%	1.379200	1.389200	1.399200	1.399200
Progreso ISD	100.00%	1.390000	1.390000	1.390000	1.370000
Sharyland ISD	100.00%	1.375500	1.375500	1.375500	1.335500
South Texas ISD	-	0.049200	0.049200	0.049200	0.049200
Valley View ISD	100.00%	1.277000	1.277000	1.277000	1.277000
Weslaco ISD	100.00%	1.159700	1.159700	1.139700	1.139700

Tax Year 2014	Tax Year 2013	Tax Year 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009
\$0.185000	\$0.150000	\$0.150700	\$0.150700	\$0.149700	\$0.149100
0.598970	0.598970	0.598970	0.585480	0.591910	0.591910
0.459100	0.462400	0.479900	0.482500	0.485000	0.049500
1.142421	1.252376	1.252300	1.252300	1.125979	1.038320
0.928600	0.970500	0.999900	0.884200	0.854200	0.854200
0.635000	0.635000	0.635000	0.635000	0.635000	0.635000
0.986700	0.991600	0.990000	0.990000	0.904200	0.904200
0.423000	0.425300	0.425300	0.425300	0.375700	0.037200
0.351400	0.351400	0.351400	0.351400	0.351400	0.351400
0.570000	0.567800	0.567800	0.545200	0.532300	0.517600
0.783600	0.783600	0.783600	0.622400	0.623400	0.623400
0.476300	0.431300	0.431300	0.431300	0.421300	0.421300
0.760000	0.775000	0.785000	0.785000	0.790000	0.790000
0.518800	0.528800	0.528800	0.538800	0.556600	0.556600
0.479000	0.466500	0.466500	0.460000	0.453400	0.443800
0.459500	0.434500	0.410000	0.362500	0.329600	0.308500
0.680000	0.680000	0.680000	0.680000	0.680000	0.680000
0.793000	0.812600	0.538900	0.499900	0.455300	0.455300
0.699300	0.738600	0.738600	0.738600	0.738600	0.738600
0.447800	0.416000	0.383800	0.353500	0.322000	0.323200
0.676700	0.686700	0.696700	0.696700	0.696700	0.696700
1.258200	1.258200	1.258200	1.258200	1.258200	1.177900
1.258000	1.258000	1.258000	1.258000	1.258000	1.258000
1.239800	1.239800	1.239800	1.239800	1.239800	1.219800
1.530000	1.556400	1.556400	1.586400	1.586400	1.436400
1.311000	1.311000	1.311000	1.311000	1.311000	1.311000
1.303800	1.303800	1.303800	1.303800	1.224800	1.224800
1.280000	1.220000	1.330000	1.330000	0.000000	0.000000
1.165000	1.165000	1.165000	1.165000	1.165000	1.165000
1.380000	1.290000	1.290000	1.290000	1.290000	1.290000
1.330000	1.300000	1.300000	1.300000	1.300000	1.280000
1.350000	1.350000	1.350000	1.350000	1.350000	1.220000
1.359200	1.359200	1.359200	1.359200	1.359200	1.301300
1.370000	1.327500	1.370000	1.430000	1.430000	1.310000
1.335500	1.285500	1.285500	1.200000	1.200000	1.200000
0.049200	0.049200	0.049200	0.049200	0.049200	0.049200
1.277000	1.277000	1.277000	1.317000	1.317000	1.317000
1.139700	1.139700	1.139700	1.139700	1.139700	1.139700

(Continued)

Statistical Supplement 21
Property Tax Rates
All Direct and Overlapping Governments
Last Ten Fiscal Years
(unaudited)

Governmental Subdivision	Percent Applicable*	Tax Year 2018	Tax Year 2017	Tax Year 2016	Tax Year 2015
HIDALGO COUNTY					
Special Districts:					
Hidalgo County	100.00%	0.580000	0.580000	0.590000	0.590000
Drainage District #1	78.87%	0.095100	0.095100	0.095100	0.095100
EMS District #1	-	0.019400	0.017600	0.020000	0.185000
EMS District #2	-	0.036000	0.038000	0.038000	0.036100
EMS District #3	-	0.025700	0.028500	0.030000	0.030000
EMS District #4	-	0.025200	0.025400	0.027200	0.027200
Donna Irrigation #1	-	0.210000	0.210000	0.210000	0.210000
Delta Lake Irrigation	-	0.550000	0.555000	0.550000	0.550000
Engleman Water District #6	-	0.000000	0.000000	0.000000	0.000000
Kennedy County GCD	-	0.015300	0.015300	0.015300	0.015300
Brush County GCD	-	0.024000	0.024500	0.026020	0.026020
Red Sands Groundwater CD	-	0.152800	0.169000	0.169000	0.169000
STARR COUNTY					
Cities:					
Escobares City	-	0.432025	0.432025	0.403517	0.403517
Rio Grande City	100.00%	0.497579	0.497579	0.497579	0.514749
Roma	100.00%	0.531372	0.531372	0.523055	0.523055
School Districts					
Rio Grande City CISD	100.00%	1.359200	1.430900	1.451400	1.438400
Roma ISD	100.00%	1.561950	1.484000	1.569390	1.553660
San Isidro ISD	-	1.280000	1.290800	1.295000	1.271800
Special Districts:					
Starr County	100.00%	0.531900	0.545800	0.545800	0.561000
F&M & FC	-	0.246500	0.232600	0.232600	0.217400
Starr County Memorial Hospital District	-	0.268163	0.268163	0.277314	0.248092

Sources:

Hidalgo County Appraisal District

Starr County Appraisal District

*Municipal Advisory Council of Texas

(Continued)

Tax Year 2014	Tax Year 2013	Tax Year 2012	Tax Year 2011	Tax Year 2010	Tax Year 2009
0.590000	0.590000	0.590000	0.590000	0.590000	0.590000
0.095700	0.095700	0.075000	0.073300	0.072500	0.072500
0.016500	0.015400	0.014300	0.013400	0.013400	0.013200
0.036100	0.036100	0.036100	0.033600	0.031100	0.028400
0.030000	0.030000	0.030000	0.010000	0.008800	0.008000
0.272000	0.026700	0.026200	0.024500	0.024500	0.024000
0.210000	0.210000	0.210000	0.210000	0.210000	0.210000
0.550000	0.580000	0.580000	0.510000	0.510000	0.000000
0.000000	0.000000	0.230000	0.220000	0.220000	0.210000
0.015300	0.015300	0.015300	0.015300	0.012500	0.015000
0.026020	0.027000	0.029894	0.030000	0.000000	0.000000
0.169000	0.169000	0.169000	0.169000	0.000000	0.000000
0.403517	0.364809	0.340000	0.340000	0.322050	0.300000
0.514749	0.514080	0.514160	0.507459	0.506460	0.350000
0.523055	0.519030	0.516500	0.508710	0.508710	0.446330
1.447200	1.440600	1.442600	1.479500	1.489500	1.413000
1.459090	1.459090	1.459090	1.459920	1.464760	1.416680
1.260000	1.130000	1.130000	1.040000	1.030000	1.040000
0.561700	0.524600	0.551100	0.510100	0.460100	0.520400
0.217400	0.254600	0.228100	0.189100	0.239100	0.178800
0.262775	0.256915	0.251238	0.237531	0.204604	0.193676

Statistical Supplement 22
Computation of Direct and Overlapping Debt
August 31, 2019
(unaudited)

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Alamo, City of	\$ 8,590,000 *		08/31/2019	100.00%	\$ 8,590,000
Donna ISD	67,980,000 *		08/31/2019	100.00%	67,980,000
Donna, City of	52,085,000 *		08/31/2019	100.00%	52,085,000
Edcouch-Elsa ISD	38,261,192 *		08/31/2019	100.00%	38,261,192
Edinburg CISD	112,930,000 *		08/31/2019	100.00%	112,930,000
Edinburg, City of	74,485,000 *		08/31/2019	100.00%	74,485,000
Hidalgo County	350,540,000 *		08/31/2019	100.00%	350,540,000
Hidalgo County DD #1	193,650,000 *		08/31/2019	78.87%	152,731,755
Hidalgo ISD	29,709,000 *		08/31/2019	100.00%	29,709,000
Hidalgo, City of	3,060,000 *		08/31/2019	100.00%	3,060,000
La Joya ISD	210,465,945 *		08/31/2019	100.00%	210,465,945
La Villa ISD	10,325,000 *		08/31/2019	100.00%	10,325,000
La Villa, City of	3,653,000 *		08/31/2019	100.00%	3,653,000
Lyford CISD	4,745,000 *		08/31/2019	1.68%	79,716
McAllen ISD	77,121,000 *		08/31/2019	100.00%	77,121,000
McAllen, City of	108,575,000 *		08/31/2019	100.00%	108,575,000
Mercedes ISD	59,134,880 *		08/31/2019	100.00%	59,134,880
Mercedes, City of	25,575,000 *		08/31/2019	100.00%	25,575,000
Mission CISD	118,288,000 *		08/31/2019	100.00%	118,288,000
Mission, City of	43,930,000 *		08/31/2019	100.00%	43,930,000
Monte Alto ISD	13,365,000 *		08/31/2019	100.00%	13,365,000
Penitas, City of	5,260,000 *		08/31/2019	100.00%	5,260,000
Pharr, City of	73,556,538 *		08/31/2019	100.00%	73,556,538
Pharr-San Juan-Alamo ISD	317,585,000 *		08/31/2019	100.00%	317,585,000
Progreso ISD	22,230,000 *		08/31/2019	100.00%	22,230,000
Progreso, City of	1,632,000 *		08/31/2019	100.00%	1,632,000
Rio Grande City CISD	101,005,000 *		08/31/2019	100.00%	101,005,000
Rio Grande City, City of	23,300,000 *		08/31/2019	100.00%	23,300,000
Roma ISD	70,565,000 *		08/31/2019	100.00%	70,565,000
Roma, City of	6,172,000 *		08/31/2019	100.00%	6,172,000
San Juan, City of	24,645,000 *		08/31/2019	100.00%	24,645,000

Taxing Body	Debt Amount		As of	Percent Overlapping	Overlapping Amount
Sharyland ISD	102,135,000 *		08/31/2019	100.00%	102,135,000
Starr County	500,000 *		08/31/2019	100.00%	500,000
Valley View ISD	40,740,000 *		08/31/2019	100.00%	40,740,000
Weslaco ISD	70,922,000 *		08/31/2019	100.00%	70,922,000
Weslaco, City of	64,680,000 *		08/31/2019	100.00%	64,680,000
Total Net Overlapping Debt:					2,485,812,026
South Texas College		*	08/31/2019		136,110,000
Total Direct and Overlapping Debt:					\$ 2,621,922,026

Sources:
Municipal Advisory Council of Texas

Notes:
*Gross Debt



SOUTH TEXAS COLLEGE

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SPECIAL REPORTS SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the President and Board of Trustees
South Texas College
McAllen, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of South Texas College (the College) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Texas Public Funds Investment Act

We also performed tests of the College's compliance with the requirements of the Texas Public Funds Investment Act (the "Act"). The results of our tests disclosed no instances of noncompliance with the Act. However, providing an opinion on compliance with the Act was not an objective of our audit and accordingly, we do not express an opinion.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cary Riggs & Ingram, L.L.C.

McAllen, Texas

December 10, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the President and Board of Trustees
South Texas College
McAllen, Texas

Report on Compliance for Each Major Federal Program

We have audited South Texas College's {the College} compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended August 31, 2019. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* {Uniform Guidance}. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

McAllen, Texas
December 10, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH STATE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To the President and Board of Trustees
South Texas College
McAllen, Texas

Report on Compliance for Each Major State Program

We have audited South Texas College's {the College} compliance with the types of compliance requirements described in the State Comptroller's Office, Uniform Grant Management Standards that could have a direct and material effect on each of the College's major State programs for the year ended August 31, 2019. The College's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major State Program

In our opinion, South Texas College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

McAllen, Texas
December 10, 2019

SOUTH TEXAS COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2019

Section I – Summary of Auditors’ Results

A. Financial Statement Audit

1. Type of Auditors’ report issued on the basic financial statements: **Unmodified**
2. Internal control over financial reporting:
 - Material weaknesses identified? **No**
 - Significant deficiencies identified? **No**
3. Noncompliance material to the basic financial statements noted? **No**

B. Audit of Federal Awards

1. Type of Auditors’ report issued on compliance for major federal programs: **Unmodified**
2. Internal control over major programs:
 - Material weaknesses identified? **No**
 - Significant deficiencies identified? **No**
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? **No**
4. Identification of major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
	Student Financial Assistance Cluster
84.007	FSEOG
84.033	Federal College Work Study
84.063	Pell Grant
84.031	Higher Education Institutional Aid
84.048	Career and Technical Education-Basic Grants

5. The dollar threshold used to identify Type A programs: **\$1,883,837**
6. Auditee qualified as a low-risk auditee under the Uniform Guidance: **Yes**

C. Audit of State Awards

1. Type of Auditors’ report issued on compliance for major state programs: **Unmodified**

SOUTH TEXAS COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2019

2. Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

3. Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular? **No**

4. Identification of major programs:

Contract Number
N/A

Name of state program or cluster
Texas Educational Opportunity Grant (Initial and
Renewal Year)

5. The dollar threshold used to identify Type A programs: **\$300,000**

6. Auditee qualified as a low-risk auditee under the State of Texas Single Audit Circular: **No**

Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards*

None

Section III – Federal Award Findings and Responses

None

Section IV – State Award Findings and Responses

None

SOUTH TEXAS COLLEGE
Schedule of Findings and Questioned Costs
Status of Prior Year Findings
For the Year Ended August 31, 2019

Financial Statement Findings:

Reference 2018-1: Compliance with Enrollment Reporting Requirements

The College added a procedure to track graduations that occur after the expected date in order to ensure all graduates are reported and that the College is in compliance with Enrollment Reporting Requirements. The College also instructed the internal auditor to perform procedures in order to determine the finding had been resolved. We consider this finding to be resolved as of August 31, 2019.

Federal Award Findings:

None

State Award Findings:

Reference 2018-2 Compliance and Significant Deficiency in Internal Controls over Compliance with Matching Requirements

Texas Educational Opportunity Grant (TEOG)

The College strengthened controls and updated formal written procedures in order to ensure that the College would be in compliance with the matching requirements. During testing of matching requirements in the current audit, no exceptions were noted. We consider this finding to be resolved as of August 31, 2019.

**SOUTH TEXAS COLLEGE
Corrective Action Plan
For the Year Ended August 31, 2019**

Financial Statement Findings:

None

Federal Award Findings:

None

State Award Findings:

None

